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ABSTRACT

One of a series of family impact seminars, the meeting described in this document was held to discuss legislation passed by the 101st Congress related to earned income tax credit, child care grant programs, and the reauthorization and expansion of Head Start. The document provides highlights of presentations of the seminar panelists and a background briefing report prepared before the meeting. The highlights section summarizes Robert Greenstein's comments on the earned income tax credit legislation; Jerry Friedman's state-level perspective on two new grant programs; Joan Lombardi's remarks on the issues of quality, expansion, and collaboration in the new Head Start legislation; Judith Rosen's discussion of the benefits and barriers to centralized administration of child care programs at the county level; and points raised during the discussion. The briefing report provides: (1) a summary of the earned income tax credit, changes in the tax code, and concerns about their implementation; (2) the main provisions of the Child Care and Development Block Grant and the Title IV-A Child Care Assistance Program, and discussion of such implementation issues as coordination and integration, improvements in quality, and expansion of child care assistance; (3) descriptions of the background and current status of the Head Start program and the main features of the new reauthorization and expansion; and (4) a preliminary assessment of this new package from the perspectives of family diversity, parental choice, and family access to child care. (AC)

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Child Care in the 101st Congress: What Was Achieved and How Will It Work?

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Child Care in the 101st Congress: What Was Achieved and How Will It Work?

January 25, 1991, held in the Mansfield Room, (S. 207) in the U.S. Capitol.

Panelists:
Robert Greenstein, executive director, Center for Budget and Policy Priorities
Jerry Friedman, deputy secretary, Office of Income Maintenance, Pennsylvania Department of Public Welfare
Joan Lombardi, Ph.D., early childhood and public policy specialist, and project director for the Head Start 25th Anniversary Blue Ribbon Panel.
Judith Rosen, social worker and developmental psychologist, and director of the Office for Children in Fairfax County, Virginia

Moderator: **Theodora Ooms**, director, Family Impact Seminar

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Background Briefing Report.....pages 1 to 37

Child Care in the 101st Congress: What Was Achieved and How Will It Work?

Background Briefing Report
and
Meeting Highlights

by

Susan Golonka and Theodora Ooms

This policy seminar is one in a series of monthly seminars for policy staff titled, *Family Centered Social Policy: The Emerging Agenda*, conducted by the **Family Impact Seminar**, American Association for Marriage and Family Therapy, Research and Education Foundation, 1100 Seventeenth Street, N.W., The Tenth Floor, Washington, D.C. 20036, 202/467-5114

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American Home Economics Association (AHEA)
Family Resource Coalition (FRC)
Family Service America (FSA)
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Child Care in the 101st Congress: What Was Achieved and How Will it Work?

Highlights of the seminar meeting held on Friday January 25th, 1991, in the Mansfield Room, U.S. Capitol. (A supplement to the Background Briefing Report).

After more than two years of intense debate and dozens of proposals in October 1990 the U.S. Congress passed, and the President signed, several laws that together have been hailed as the first comprehensive federal child care legislation. The compromise package consists of four main parts: a major expansion of the earned income tax credit; two new child care grant programs to states and the reauthorization and expansion of Head Start. The moderator, **Theodora Ooms** said the four panelists would briefly describe each component of the package and focus especially on the issues involved in their implementation.

Robert Greenstein, founder and executive director of the Center for Budget and Policy Priorities, began by describing the largest part of the package, namely the earned income tax credit (EITC) which currently provides benefits to eleven million low-income working families with children living at home. (It is not well known that for every family receiving AFDC three families receive the EITC.)

Created in 1975, the EITC is different from most other credits in that it is refundable, that is if you are too poor to pay income taxes the IRS will mail you a check for the amount of the credit. Prior to the new law the credit provided benefits to low-income working families earning up to $20,000, with the maximum credit for tax year 1990 of $953 (see pages 3-4 and Table 1 and 2 for details). Although some view the EITC as a component of child care policy, Greenstein said that most of its advocates view it primarily as a way of supplementing the wages of low-income working families and of rewarding work compared with welfare. In the last Congress consensus was forged across the political spectrum that the credit needed to be enlarged since average hourly wages were now the lowest in real terms since 1970. Such an expansion was also seen as a way of partially off-setting certain regressive features of the Reconciliation Act such as higher cigarette and liquor taxes.

New EITC Law. The increase in benefits in the new law is very large, amounting to a total of $18 billion over five years. It represents the single largest increase in any low-income program since 1977. It also introduces for the first time an adjustment for family size.

---The basic credit is expanded over phases through 1994. In 1994, an eligible family with one child will receive a credit worth 23% of earnings, while a family with two or more children will receive a 25% credit. The maximum credit will rise to around $2,000 in tax year 1994 for a family with two or more children. (The credit is now indexed for inflation.)

---A new, additional credit will provide about $350 for tax year 1991 (about $400 by tax year 1994) for families with a child below one year of age but only if the child care credit is not claimed for the same child.

---Another new credit provides an additional benefit of up to about $425 for tax year 1991 (about $485 by tax year 1994) for families which incur costs for a health insurance premium, as long as a child is covered under the policy.

While the new law represents a significant achievement, Greenstein sees two major types of problems that threaten to limit the effectiveness of this planned expansion and pose challenges for implementation.

Separate tax schedule. First, although the IRS simplified and clarified some aspects of the EITC in other ways it will become significantly more difficult to claim the benefit. Previously most families that filed a 1040 form and were eligible would automatically get the credit, calculated for them by the IRS, whether they specifically claimed it or not. Indeed, many families may not have even realized that their IRS refund check included an EITC benefit. With the new law however, a separate schedule form must be filed to claim EITC benefits for tax year 1991 and subsequent years. (In other words, starting with the winter of 1992 when tax-filers send in their tax returns for 1991 a separate form will need to be attached.) Hence it is very important to get the word out to people that they may be eligible for the credit and what it is now worth. Greenstein added that the IRS, private sector organizations such as his Center, and congressional offices need to work to inform the public and constituents about the new EITC.

Advance payment. Second, the credit can be provided in advance in a worker's regular pay check for those who find this more helpful than a once a year refund. However very few people have taken advantage of this feature (fewer than 1/2 of 1 percent). With the expansion of the benefit it has now become even more important to find ways of helping more people use the advance payment mechanism. (The new law requires GAO to do a study of this problem and report by November 1991.)

Congress should be congratulated for its significant achievement, yet important issues still remain to be resolved. Two of which Greenstein highlighted.

Broadening the adjustment for family size. In addition to working out the advance payment problem, the feature in the new code that introduced an adjustment for family size was disappointingly small, adding only about $160 for the second or more children. The Center recently calculated from census data that 60% of all the children in working poor families live in families with three or more children. Thus to provide more significant help to these families, the Center recommends adding another level of benefit for families with three or more children and financing this addition by slightly reducing the planned increase for families with one child.

Making the dependent care tax credit refundable. There is no justification, Greenstein said, for the present lack of refundability of this credit. This credit provides substantial subsidy for child care to middle and higher income families but virtually no help to low-income families---only 3% of the credit goes to families in the bottom 30% of the income distribution. The proposal was put forward several times by both Republicans and Democrats but never made it through. It needs to be reintroduced and enacted.

Jerry Friedman, Deputy Secretary for Income Maintenance in Pennsylvania, spoke from the perspective of state level implementation of the two new grants programs---the CCDBG and the IV-A funds---which his agency is responsible for administering. Friedman said that states really welcome the new legislation and that it will bring many challenges as well as opportunities. Pennsylvania considers the new child care programs to be integral to the mission of breaking the cycle of welfare dependency and hopes to address some of the issues of quality, capacity, and

coordination as well. He said the primary challenge will be to put the programs together in some way that makes sense to fit them into the existing system.

He first briefly outlined the components of the new grant programs (the details are on pages 7-14).

o **The Child Care Development Block Grant (CCDBG),** authorizes $2.5 billion over three years and is a formula grant to the states with no match. Although the states are given considerable flexibility in how they spend the funds, 75% must be on services to improve availability of child care and 25% on activities aimed at increasing quality and providing special programs such as before and after school care.

o **The Title IV-A Child Care Assistance** program targets low-income, non-AFDC families "at risk" of dependency and is authorized at $300 million per year through 1995. It is a capped entitlement program and requires a state match at the Medicaid rate (which varies from state to state).

o The bill increased the authorization for the existing Title IV-A discretionary **Child Care Improvement Grants** program from $13 million to $50 million (half the funds must be used for training child care providers).

Friedman commented that the development of social service programs are not the result of thoughtful, rational planning. He said "we discover problems, lobby Congress, Congress smothers them with money, and we all hope they go away." For state and local administrators, Friedman said, the residual effects of this approach are multiple programs each with its own self-contained reporting requirements, administrative mechanisms, information systems, and often competing for limited resources. "We in Pennsylvania call this malady '*hardening of the categories.*'"

The child care system is a classic example of this phenomenon Friedman explained. The numerous child care programs generally operate with different payment rates, eligibility, and payment mechanisms. Inability to develop a coordinated system will negatively affect efficiency in the management of service delivery, the capacity to find providers who will accept clients, and the quality of child care provided. It has a very significant adverse impact on clients in terms of their financial ability to get child care and the continuity of that care, all of which creates considerable obstacles to self-sufficiency.

Work Disincentives. As illustration Friedman presented a real case example of an AFDC client in Philadelphia who participated in the JOBS program. Under the Family Support Act, a recipient is eligible for direct child care assistance while she is in the JOBS program and receiving education and training. The assistance may cover the actual cost of child care up to 75% of the local market rate. However, if this woman becomes employed but continues to receive an AFDC grant, she is no longer eligible for child care assistance beyond the child care disregard which is a maximum of $175 a month (and generally less than the actual cost of care). While her combined AFDC grant and earnings exceed the amount of AFDC she received while in training, she also has additional work-related expenses such as transportation and taxes. Friedman estimated that, in effect, at this stage she may now be working for less than $2.00 per hour.

After four months, when the monthly $30 and 1/3 earned income disregard (or work incentive) expires, and she receives only a $30 work incentive, she may find herself no better off than when she was an unemployed welfare client. In the case that Friedman outlined, the client's income after paying for child care was only $10 more per month than the AFDC check she received when she wasn't working at all. After paying transportation, taxes, and other work-related costs, she will be, in fact, losing money by working.

Under the Family Support Act, a client is not be able to take advantage of transitional child care (TCC) benefits, which would greatly improve her financial situation, until she is completely financially ineligible for cash assistance. And under the law and regulations, she may not "volunteer" to have cash assistance closed off even though she would be better off. Instead, she may be forced to change to a cheaper child care provider, perhaps of lower quality or may quit work and go back on welfare completely.

Friedman described this restriction on transitional child care as a major deficiency in the Family Support Act which should be changed in the regulations or through legislation. In the meantime, Friedman suggested that the CCDBG could be used to subsidize the cost of child care for these clients, paying the excess in child care costs over the child care deduction. While this would not be as financially advantageous as the transitional child care benefit, it may be enough to help the client until she goes off welfare and is eligible for transitional child care.

Friedman said we need to be creative and establish a system that is uniform in rates, fees, payment mechanisms, reporting, and provider eligibility. He believes there is an opportunity to do this with the block grant but remarked upon how frustrating it is to achieve coordination in practice. He noted that coordination among different agencies involved in child care is especially difficult because they may represent different philosophies about its primary goal---child care and child development versus economic self-sufficiency.

Implementation Recommendations

Friedman proposed the following measures for federal and state governments to adopt in writing regulations and program guidelines, though some changes may require further congressional action.

o **Reform the "notch" scenario in JOBS.** Friedman had outlined earlier the problem in the law whereby after four months the client's child care subsidy drops so drastically. The regulations should allow states the flexibility to help her become eligible immediately for transitional child care. In Pennsylvania, Friedman said, we will lobby hard to allow clients to voluntarily turn back the $10 AFDC check to become eligible.

o. **Provide flexibility in administration of the Title IV-A program.** While the Title IV-A agency has overall responsibility, another agency may be better suited for determining eligibility for non-AFDC "at risk" clients. The regulations should allow the state to contract with other agencies.

o. **Create uniformity in definition of eligible providers.** Friedman stated that 80-90% of Pennsylvania's welfare clients obtain child care through non-licensed providers. Interfering with this large portion of the provider market would seriously affect the availability of child care for that population. At present there is considerable inconsistency in how eligible providers are defined between the JOBS and TCC care, the CCDBG, and the "at risk" programs. He questioned whether informal providers will be willing to comply with different requirements as the client moves from one program funding stream to another and cautioned against "intimidating" informal care. As an interim solution he suggested a transition period for the providers registration requirement under the CCDBG and the Title IV-A programs.

o. **Create uniformity in methods of payment and payment amounts.** A similar disparity exists between the programs with respect to payment methods and amounts. Thus as the client moves from one funding stream to another, the provider may be unwilling to accept a different payment method or different amount. He also said rates should be consistent between

programs and not make one program more attractive than another. States will need flexibility and lead time to create such consistency.

Friedman said they have a fantasy in Pennsylvania about creating a child care system that has uniform criteria, absolute parent choice, is seamless by category so that no one falls through the cracks, and is transparent to providers with respect to which source they are paid from. He admitted that these goals are difficult to accomplish and that operational reality and policy don't always intertwine, yet both are critical.

He concluded with a quote by John Gardner, "A society that scorns excellence in plumbing because it is a humble activity but tolerates shoddiness in philosophy because it is an exalted activity will have neither good plumbing nor good philosophy. Neither its pipes nor its theories will hold water."

The third panelist, **Joan Lombardi**, an early childhood and public policy specialist, was the project director of the Head Start Silver Ribbon Panel and was principal author of the Panel's Report.

Lombardi began with a quote which epitomized the popularity of the program as it moved into its twenty-fifth year. At one of the celebrations a former Head Start parent and now the director of a Mississippi program said, "once Head Start touches the lives of people, it makes you a new person and that impacts the family and community in which you live." This anniversary has happily coincided with the reauthorization of the program and the congressional pledge that the program would receive expanded funding over the next four years with the intent to serve all eligible 3-5 year olds (see p. 15-19 for history and description of the Head Start program and p. 19-21 for the new Act). As part of the 25th anniversary celebration, representatives from the Head Start community---parents, teachers, advocates, community leaders, and experts---provided input through the Panel's activities and at congressional hearings. Lombardi said in her remarks she would address the major issues identified in this process, the legislation's response to them, and those that still remain. The issues can be summarized under three main topics Quality, Expansion, and Collaboration.

Quality. The Panel Report declared that a focus on quality should be the top priority. While many testified to the positive effects of Head Start on the children, their parents, and the community, many concerns were expressed that the quality was increasingly difficult to maintain in light of the following factors that had emerged in recent years:

---Increased difficulty in recruiting and retaining qualified staff due to inadequate compensation;
---Increasingly complex needs of the children and families;
---Rising caseloads of the social services staff, sometimes up to 300 families, making it difficult to provide adequate family support;
---Deteriorating physical facilities and transportation systems; and,
---Diminished numbers of federal oversight staff.

The new law responded to these concerns by setting aside 10% of all the funds in the first year for quality improvements and 25% of all new appropriations after that year. At least 2% is to be spent on training and technical assistance and for the first time the law required that, by 1994, each classroom must have at least one qualified teacher.

While these are very significant steps forward, Lombardi said that in order to ensure that the bold goals become reality, future appropriations will need to match the new authorizations, and federal leadership is needed to sustain quality. Moreover, the problem of facilities was not addressed, nor

the shrinking federal staff. Finally, the issue of cost per child needs to be addressed. The current federal cost per child per year of approximately $2,800 was considered much too low by many experts if quality is to be maintained and improved, especially in face of pressures for expansion.

Expansion. Although the need for the program to expand horizontally to serve more eligible children was repeatedly voiced, others called for a more vertical expansion, for example, serving younger children, providing full-day services, and allowing additional program options.

The law responded to the need for expansion by significantly increasing funds in order to serve more of the currently eligible children. In addition, the law allows programs to provide full-day services, multiple years of service, and increases funds for Parent and Child Centers. The Parent and Child Centers serve children pre-natal through age 3. However, tension continues to exist between community needs and priorities and directions established nationally. There also remain many challenges---such as when a program can expand to full day---which will need to be clarified through program guidelines. In addition, some Head Start advocates are arguing that eligibility rules need to be more flexible to allow for areas with high cost of living and special family circumstances.

Collaboration. The rapid multiplication of child care and early childhood programs, and sources of funding necessitates a strong focus on collaboration between programs at many levels. Since Head Start was designed to respond to the needs of the whole child and family, it has a long tradition of collaboration with health care and other social service professionals. Nonetheless, there are numerous barriers to promoting effective collaboration with other child care programs and the schools.

The new law did respond in one significant way to this issue through the continuation of comprehensive services designed to help Head Start graduates make the transition into kindergarten and first grade. However, in other respects there are limited incentives at local and state levels to help Head Start engage in more effective collaboration. For example, more technical assistance is needed to help the programs learn how to 'commingle' funding.

Lombardi concluded that the passage of the Head Start Reauthorization Act was clearly landmark legislation, as important perhaps as the program's founding in 1965. However, the critical issue ahead for a program that faces annual appropriations was the extent to which Congress would live up to its promises of increased funding.

Drawing on her 15 years of experience as director of the Office for Children in Fairfax County, Virginia, **Judith Rosen,** the last panelist, discussed the benefits and barriers to centralized administration of all child care programs at the county level.

Judith Rosen began her remarks with some eye-opening data contrasting facts about child care with other fields. For example, (i) while a child spends an average of 7,596 hours in elementary school; a child who enters full-time child care after age one will spend 10,000 hours in child care. (ii) She noted that full-time tuition for George Mason University in Fairfax, Virginia is $2,800 a year; "tuition" for infant care is $6,500 a year in Fairfax County. (iii) Hairdressers in Virginia spend 1500 hours in specialized training yet no hours of training are required for child care providers.

In explaining how, through the Office for Children, Fairfax County has positioned itself to make best use of the additional federal dollars Rosen said she would discuss the challenges posed by two main issues---focus and organization.

Focus. Rosen discussed the difference in focus among early childhood education programs and most child care programs and the difficulties this creates. She said that Head Start, perhaps the best-known early childhood education program, has well-articulated goals and a clear vision of what it is trying to accomplish. It is an early childhood education program which provides comprehensive services for children and their families so that when children enter school, they are both socially and educationally prepared. Additionally, through the support and services offered, a mother may be able to break out of poverty. (However, the program is generally only a half-day program.) As an educational program, it has performance standards, discusses and demonstrates curriculum models, promotes educational resource centers, funds research efforts, and encourages the professional development of teachers through the child development associate certification.

In contrast, explained Rosen, in the major federal child care programs funded through Title XX, the Family Support Act and the new grants programs, the education of young children is secondary. The emphasis is on finding a work-time placement for children so parents can get training, education, or be employed. Placement of the child is a supportive service, rather than a primary service. Funding is provided to improve quality of child care in homes and centers and even to enhance the regulatory ability of states and localities. For these child care programs, standards for quality are set as floors or minimums and concern such items as child/staff ratio, group size, and minimum hours of training. In contrast, quality in early childhood education programs refers more often to curriculum models and teacher education.

Rosen said that these differences in goals, approach, and focus make it very difficult to create "a seamless web" to provide continuous child care services to clients.

Organization. They also have resulted in the second difficulty; the lack of organization and infrastructure to support these programs. She said the many programs and funding sources related to child care and early childhood education at federal, state, and local levels makes it difficult to affix a point of responsibility and contributes to conflict, confusion, and lack of clarity. She said we have to settle for "that wonderful word but often elusive goal of coordination."

To illustrate the difficulty of coordination at the local, county level, Rosen listed the numerous local departments or agencies involved in providing child care services:

---Recreation (before and after school care)
---Social Services (recruitment and licensing of providers)
---Agricultural Extension (food and nutrition services)
---Schools (preschool and Head Start)
---Community Action agencies (Head Start)
---Health (licensing for health and safety)
---Resource and Referral
---Zoning and Inspections (building and fire hazards)
---Various networks of child care providers including family day care, independent centers, non-profit centers, and multi-center chains.

Rosen commented, "this is a lot to coordinate!"

Office for Children. Fifteen years ago, Fairfax County responded to this problem by creating an early childhood education agency to be the focal point. A public agency responsible for planning, overseeing, and coordinating child care and early childhood education programs. The decision to create a separate agency rather than place the responsibility within an existing one was recommended because existing agencies were concerned with continued funding prospects, public support for child care and early childhood education, and the lack of professional knowledge, expertise, and staff in early childhood education. In fact, since that time there has been a sustained

commitment to adequate funding levels and broad support from the community, evidenced by the fact that 30,000 families use their child care resource system.

The Office for Children has worked to create an integrated service delivery system where all funding sources are melded together. Once a family is in the system, (often through referrals from other agencies), it is the responsibility of the Office of Children to make sense of all rules, regulations, eligibility, and fees. Families are able to stay in the system under their choice of care even as they move from program to program. By getting a number of waivers from the state, the Office has been able to overcome many of the difficulties created by different funding streams, rules, and regulations. For example, they now maintain one fee schedule policy across all programs and types of care. For a family, Rosen said, the Office provides a one-stop shopping service which is both predictable, supportable, supportive, and affordable. She provided an example of how her office was able to serve a mother enrolled in the JOBS program who needed full-time care for her six children (preschool and school age). In many ways, the Fairfax Office of Children embodies at the local level the "fantasy" Friedman described for Pennsylvania.

In her closing comments, Rosen noted that regrettably, the new child care legislation does not include funding for badly needed infrastructure and resource development. Fairfax County has, however, been able to partially address this need through a voter passed referendum and public/private partnerships.

Points raised during the discussion

- One participant asked Judith Rosen to describe the business community involvement in child care in Fairfax County. Rosen explained that the child care resource system, which helps parents locate child care, has contracts with 84 different businesses to help their employees find child care. With so many companies and their employees seeking their resource and referral services, the supply of child care soon dwindled. Recognizing this, Mobil, IBM, and AT&T gave grants to the Office of Children to conduct recruitment campaigns to recruit and train family day care providers to help increase the supply of child care.

  Additionally, there is an Employer Child Care Council formed by business leaders in the county to help businesses set up child care programs. As a result, ten businesses now sponsor child care centers and eight child care centers have located in businesses or industrial parks. Increasingly, this group is becoming interested in the quality of child care, motivated not only by the needs of their current employees but in the long run well-being of the children who will comprise the workforce in future years. They are sponsoring a program called Child Care Challenge to fund accreditation programs for centers and family day care programs.

- Another participant was interested in how child care programs address special needs children. Rosen commented that in Fairfax County they have done fairly well with school-based child care, providing special centers for children with handicaps as well as developing efforts to integrate these youngsters into regular child care programs. It is much more difficult to serve the preschool special needs population. Their efforts have mainly focused on training family day care providers to serve children with special needs and placing children with these providers.

  Joan Lombardi explained that Head Start has been a leader in mainstreaming children with special needs and that, by law, 10% of the children they serve must be those with special needs. She stressed the importance of providing training and technical assistance to staff who will be working with special needs children. She noted the dilemma that while the child care

community does not have the resources of Head Start, Head Start doesn't have full-day services and said that "meshing" these two together will be important.

- Another participant cautioned against "coordinating down to the lowest common denominator" and creating two levels of care. All families need comprehensive, quality programs. She commented that there is a lot of support for Head Start because it provides developmental preschool and gives comprehensive help to multi-problem families. She said these are the same kinds of families eligible for Family Support Act child care, transitional child care, and the new programs. They also need a comprehensive program like Head Start but states do not usually reimburse at a high enough rate to provide the children with high quality programs. She said that coordination is difficult but that it also presents an opportunity.

  Lombardi said this is the care versus education issue but in most cases the same children and families are being served. She said there was a lot of debate in the reauthorization of Head Start over how large is the need. Children are being served in other programs but they may not be receiving the comprehensive services they need due to the inadequate funding of child care.

  Friedman identified the continuing tension between improving quality and expanding supply. He said that as participation rate requirements rise under the Family Support Act, more welfare clients will need child care and these issues will become more acute.

- One participant asked how Pennsylvania plans to use the new funds under the capped entitlement. She also wondered whether the FSA transitional child care was being used by only a small proportion of those eligible in Pennsylvania. Friedman said they hoped to use their new entitlement money in a creative way including to extend transitional care. He remarked, however, that Income Maintenance, the IV-A agency, will probably contract with the Division of Children, Youth, and Families to determine eligibility. He said that they do have concerns in Pennsylvania about the low rate of utilization of transitional care. He offered several reasons: people in the workforce may still be getting an AFDC grant and thus would not be eligible; and a preference among many clients for cheaper or "underground" types of care.

- Another participant asked whether Pennsylvania was going to apply for the "at-risk" Title IV-A money this year. Friedman said they intended to although it is contingent upon policy interpretation of which state monies will be eligible for a match and whether there will be a maintenance of effort requirement. Rosen commented that in Virginia, the Governor has started moving in a positive direction for implementing the new programs by designating the lead agency for the CCDBG planning to be the Council on Child Day Care and Early Childhood Education.

  Greenstein commented that the state budget crunches are a cause for great concern because states don't have the surplus reserves they had during the '81-'82 recession. He questioned whether states would be able to put a lot of money into the IV-A program. A member of the audience from the American Public Welfare Association said that a lot will depend on whether states can use existing unmatched monies spent on child care. However, he said many states are enacting across the board cuts which raises concerns about supplanting of funds (which is prohibited under the program) and maintenance of effort requirements. Rosen commented that the costs to states and local governments of providing child care increases during a recession because many families are making less money and are thus contributing less to the cost of care on the sliding fee scales.

- One panelist asked if there has been any discussion about expanding the young child supplement credit and sees that it can be linked with family and medical leave. He said for

those who support family leave, the credit would allow more people to take advantage of the unpaid leave. Opponents of family leave could view the supplement as an alternative. Greenstein said an expansion would be costly and would have to be offset by new taxes or a reduction in spending. He said that because the maximum Young Child Credit is $400, it won't have much of an effect in helping a parent stay at home. He said a higher priority would be to make the dependent care tax credit refundable so that it would be available to low-income working families who don't pay taxes.

- A congressional staffer in the audience questioned whether the best approach would be to allow local communities to determine their child care needs and then plan accordingly. Rosen said it is important to have a lead agency in each community to make the puzzle fit together and allow some flexibility. In her experience in Fairfax, a separate agency, she said, entitles you to "a seat at the table" and provides a focus for responsibility and accountability. Lombardi commented that the original ABC bill had good mechanisms for state and local planning that were taken out in the final legislation. Friedman said that states like flexibility but that block grants are often perceived as block cuts. He said a lot of local flexibility can create battlegrounds for advocates with special interests. You need planning that's thoughtful and rational.

Child Care Legislation in the 101st Congress: What Was Achieved and How Will It Work?

Background Briefing Report

INTRODUCTION

In the closing days of the 101st Congress, the House of Representatives, the Senate and the President, reached agreement on a comprehensive new child care package and incorporated it into the Omnibus Budget Reconciliation Act of 1990 (OBRA) P.L. 101-508. The passage of the legislation capped four years of congressional hearings, numerous studies and reports and intense debate over the broad question of what should be the federal role in child care. There was a general consensus on the broad problems federal policy needed to address but much disagreement over strategy. The objectives most often promoted were:

---to increase the overall supply and address specific shortages in child care;
---to sustain and improve the health, safety and developmental quality of non-parental child care;
---to maximize parental choice; and,
---to make child care more affordable especially for low income parents.

While there was much shared rhetoric among interested parties the prolonged and sometimes acrimonious debate reflected basic philosophical differences about the underlying goals of federal child care policy. Some considered that the primary goal of assisting child care is to enable the caretaking parent, usually the mother, to be employed outside the home. Others believed that the main argument for government child care support is based on the benefits children---especially disadvantaged children---derive from quality child care and early childhood programs and the harm that may come to them from low quality, unsubsidized care. Still others felt that government policies should help parents maximize their choices and options for their children, including enabling one parent in a two parent family to choose to forego employment and care for their children themselves (see Ooms and Herendeen, April, 1989).

Each of these philosophies suggests a different course of action. In the 101st Congress some members favored approaches which gave grants or entitlements to the states to use for a variety of child care assistance activities. Others favored direct cash subsidies to families and still others a combination of approaches. Proposed strategies competed with each other and were sometimes in direct conflict such as the trade-off between quality improvements and expanding the supply of child care. Debate was intense and negotiations centered on such issues as whether there should be required federal standards to promote quality and safety, whether the government should subsidize church-based child care and at-home mothers, and the benefits of grant programs versus entitlements versus tax credits.

The final child care package that emerged from this debate represented a compromise among many individuals and groups' proposals and included a combination of approaches. It differed in many respects from the ambitious Act for Better Child Care, S. 5, legislation introduced in 1988 by

Senator Dodd which was supported by a large coalition of liberals and child advocates. The final package was also very different from President Bush's original proposal which focused on tax credits for low income families with children under age four. Taken together the package that was enacted in October 1990 included:

---Substantial expansion of the Earned Income Tax Credit and two new related credit programs amounting to $18 billion in subsidy over the next five years;

---Two new state grant programs for states: the Child Care Development Block Grant (CCDBG) which received a total of $2.5 billion in authorization for FY '91-'93 and a new capped entitlement grant program under Title IV-A of the Social Security Act, Jobs Opportunities and Basic Skills (JOBS) program, which was funded at $1.5 billion total over five years; and,

---Reauthorization and expansion of the Head Start Program which was given substantial new funding over the next four years to reach an authorization level of $7.6 billion by FY '94.

To what extent these new and revised programs and tax credits will meet their goals will largely hinge on the directions and constraints provided by federal regulation and the manner in which states and local governments and programs implement them. Importantly, more than ever before, states and localities now face the challenge of creating a comprehensive and rational child care system by coordinating and integrating multiple programs which have different funding streams, regulations and eligibility and reporting requirements. Additionally, states must do so in an economic environment that is considerably bleaker than that which existed four years ago when Congress first took up the issue for consideration.

This background briefing report begins in Part I with a summary of the Earned Income Tax Credit, the changes in the tax code and some of the concerns about its implementation. In Part II we present the main provisions of the two new state grant programs and discuss their implementation. In Part III we describe the background and current status of the Head Start program and present the main features of the new reauthorization and expansion. Finally, in Part IV we briefly present a preliminary assessment of this new package from the perspective of three broad family impact criteria.

---Family diversity: Which types of families stand to benefit from this package?
---Parental choice: How are parental choices affected?
---Family access: Will it be easier for families to find and use child care?

I. EARNED INCOME TAX CREDIT EXPANSION

(Sources: Boehm, Miller & Ferreira, 1990; Center on Budget, 1990; Committee on Ways and Means, 1990; Ellwood, 1988; Juffras, Birdsong and Sawhill, 1990; Lee and Campbell, 1991; Leonard and Greenstein, 1990; Marcuss and Nielsen, 1985; Steuerle, 1990; Steuerle and Wilson, 1987)

Introduction

In the heated and protracted child care debates of the 101st Congress, the major strategy promoted by President Bush and many Republicans favored providing direct cash subsidies to low income parents through the tax code. This approach was considered by them to be an alternative to in-kind

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child care subsidies through grant programs. Many Democrats also supported this approach when it was viewed as an addition to, not a substitute for, the grant programs.

Numerous proposals were put forward to amend the income tax through changes, expansions and additions to the dependent care tax credit and the earned income credit (see Ooms and Herendeen, April, 1989). The legislation that was eventually enacted expanded and simplified the earned income credit and created two new credits, one for families with a child under age one (the "wee tot" credit) and the other a credit to cover the expenses of health insurance. The law will take effect in tax year 1991 (filed in early 1992). Although several proposals had been put forward to make the dependent care tax credit refundable and to "cap" it at the higher income levels as a revenue raising move, no changes were eventually enacted in the dependent care credit program in the 101st Congress.

These tax changes provide large sums of additional money to poor families. The total EIC expansion and new credit programs over the next five years will provide over $18.3 billion of additional benefits to families with dependent children, i.e. more than they would have received under current law. ($12.4 billion of additional money in the basic EITC, $700 million in the young child supplement, and $5.2 billion in the health insurance credit.)

Embedded in this new law are several different goals and philosophies which undoubtedly account for its bi-partisan support and generous funding. On the one hand, because the earned income credit is given to low income employed parents whether or not they use non-parental care, this legislation should perhaps not be viewed as a child care program as it sometimes is but rather as an income transfer program providing direct income subsidies to families with children who work but still have low income. It thus reflects the serious bi-partisan concern about the steady erosion over the past decade of the real income of working poor families which has led to the EITC being promoted as one of the major weapons in an attack on child poverty.

Alternatively, seen in the context of the child care debates, the EITC enshrines the conservative insistence on tax neutrality, namely, non-discrimination between the traditional one-earner, two parent family and the two-earner, two parent family. It thus maximizes parental choice in child care through enabling two parent families to choose whether to use the credit to help pay the expenses of non-parental care, or to help one parent afford to remain at home to care for their children. Less often noted is the fact that the EITC also provides cash benefits to the large numbers of low income working couples who, through part time or shift work can arrange to share the care of their children between them.

Background

The Earned Income Tax Credit (EITC) was first introduced as temporary legislation in the Tax Reduction Act of 1975. It is a provision of the tax code that permits low income tax payers with dependent children to claim a credit against their federal income taxes. In 1975, the credit was 10% of earned income up to $4,000, with a gradual phasing down above that level so no credit was available above $8,000. There are three features to the current credit: a credit rate up to a certain level of income, a plateau which remains constant over several income levels, and a phase out rate. (This is well illustrated on Charts I and II pages 34-35). A unique feature of the EITC is that it has always been refundable meaning that an individual can receive a payment from the Internal Revenue Service (IRS) if the credit exceeds the amount of tax due, or there if there is no tax liability. (No other major credit or deduction is refundable.)

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Eugene Steuerle has pointed out that the EITC straddles the welfare and income transfer systems (Steuerle, 1987; 1990). When first enacted it had two primary purposes: to provide a work incentive to AFDC recipients and to offset the regressive burden of social security payroll taxes on low-income working parents. More recently its relationship to welfare reform has assumed additional importance since the credit makes work more remunerative than welfare. In addition, it may help former AFDC recipients remain in the labor force after the one year of JOBS transitional child care assistance has ended.

Since 1975, there have been only minimal structural changes in the EITC, but there have been several attempts to change actual dollar amounts and rates to maintain and increase its value. Nevertheless up until 1984 these changes failed to keep up with inflation and between 1975 to 1984 the maximum credit fell by 35% in real terms. In 1986 the Tax Reform Act restored the maximum credit to its 1975 level.

Because of the very low income levels at which the credit phases out, it has been especially important to part-time and part-year workers, but recent expansions make it more valuable to full time workers. Since 1979, payments have been able to be made monthly, in advance through the pay check to eligible employees who must file a certificate each year. The credit is now indexed for inflation.

For tax year 1990, it is estimated that earned income credits will total $5.9 billion and that approximately 10.3 million will receive the credits, which are expected to average $567 per family. Only about 10,000 received the advance payment.

Tax Credit Provisions in OBRA '90

Changes in basic EITC. For tax year 1990, families who maintain a home for one or more children under age 19 (or 24 if a full time student) qualify for the credit if they earned less than $20,264. The benefit amounts to 14% of the first $6,810, remains at the maximum level of $953 as family income rises to $10,730 and then benefits phase out slowly.

Effective in 1991, the Omnibus Budget Reconciliation Act of 1990 (OBRA '90) increased the basic EITC and included two benefit levels---one for families with one child and one for families with two or more children. (56 % of all EITC eligible families have two or more children.) The increases are phased in, incrementally, over four years with the largest benefit being realized in 1994. By then EITC benefits will be raised about 70%.

In 1991, the basic credit amount increases to 16.7% for families with one child and to 17.3 % for two or more children. The maximum basic EITC benefit will rise from $953 to $1,192 for families with one child and to $1,235 for families with two or more children. (See Chart I and II for a graphic illustration of benefit levels and phase out rates for families with two or more children over the four years.) (See the Organizations mentioned on pages 28-30 for tables presenting the exact figures.)

By 1994, the credit will increase to 23 % and 25% respectively for the two levels. By tax year 1994, the maximum basic credit should equal about $1,860 (one child) and $2,025 (two or more children).

Under the current law in effect in 1990, families who received more than half of their support from AFDC were not eligible for the credit. The credit was counted as income for several subsidized housing programs or children's SSI payments. However, the credit amounts were disregarded for the purposes of the food stamp program and the Family Support Act.

The new law, however, stipulates that the EITC benefits cannot be counted as income in determining eligibility or benefit levels for all of the major federal means tested transfer programs (AFDC, SSI, Medicaid, Food Stamps and subsidized housing). Nor can those eligible any longer be disqualified if their AFDC benefits exceed their earnings.

Adjustment for family size. The two benefit levels (one child and two or more children) have been lauded as the first step towards adjusting the credit for family size---a principle that many have wanted to see incorporated into the tax code. The proposal to adjust the EITC benefits by family size has received widespread support among poverty analysts and policymakers from across the political spectrum. Family needs increase with family size and both the poverty measures and AFDC benefits recognize this fact. Salaries, however, do not (though they once did). The result is that as families grow larger work becomes relatively less attractive and welfare more so. However, as presently constructed there is only a small difference between these two benefit levels in the revised EITC.

Young child supplement. The revised code includes an additional new credit of up to 5% of earned income for families with a child under age one at the close of the tax year. An important feature of this provision, however, is that unlike the basic credit, families that claim this supplementary credit may not also claim the dependent care tax credit for child care expenses for the same child. This credit can thus be viewed as a subsidy for those mothers who remain at home to care for their infant.

The maximum young child credit amount for 1991 is $357, which, when added to the basic EITC brings the maximum total EITC credit payment to be $1,549 (one child) and $1,592 (two or more).

Health insurance supplement. Low income families (under $21,242) who pay health insurance premiums which include coverage for a child can claim an additional new credit amount of up to a maximum of $428. The new credit is structured in a manner very similar to the EITC. This credit is also available for those who make co-payments for an employer sponsored health plan.

Only a modest number of families receiving EITC are expected to qualify for this health insurance credit and the credit will defray only a very small portion of the cost of the families insurance. This credit is projected to provide $5.2 billion in benefits over the next five years.

Implementation challenges

Considerable efforts have been made over the years to simplify some aspects of the code and make it easier both for citizens to claim the credit and for the Treasury to administer it. However, the recent changes, by adding several new credits and requiring a new separate filing form have inadvertently reintroduced complexity.

Participation rate. It is difficult to assess the degree to which all those eligible for the credit in fact receive it. One 1985 IRS audit, issued in the summer of 1990, found a high rate of over payment. Upon investigation this was apparently not primarily due to cheating but rather to the ambiguous definitions in the code which created confusions about eligibility. In response to these findings, the IRS proposed a series of changes and clarifications designed to reduce the error rate and these were enacted in the new law.

Most of the concern has been about underpayment, due to wage earners not claiming the credit. Some have estimated that up to one in every four eligible individuals do not receive the credit. The forms were designed to include sufficient information so that the IRS has been able to spot many

cases when eligible tax payers did not claim for the credit and sent them the credit payment they were due.

There were concerns that the Tax Reform Act of 1986 which had the effect of dropping large numbers of low income tax payers from the tax rolls might have exacerbated the underpayment problem. Employers must, by law, inform all employees who do not pay taxes of their eligibility to file for the refundable credit. However, clearly many do not do so. Nevertheless, increasing numbers of families are receiving EITC benefits. In 1983, 5 million received the EITC, and by 1988 it was over 11 million. Between 1987 and 1988, there was a 24% increase in the numbers of those who received the EITC. This increase seems to be primarily a result of changes in eligibility, but it is generally agreed that the information and outreach campaigns discussed below have played an important role.

Advance payment. Low income persons short on cash may find a lump sum payment at the end of the year to be not very useful. Thus, those eligible for the credit have been able to file a form, W-5,with their employer each year to arrange to get their credit in advance in their paycheck. The success of this provision clearly depends on the knowledge and cooperation of employers as well as employees. However, few of those eligible have used the advanced payment mechanism. The new law requires that the GAO conduct a study, in consultation with the Treasury Department, and prepare a report by November 1991 to the Senate Committee on Finance and the House Committee on Ways and Means on the effectiveness of the advance payment system especially in relation to small businesses.

The new law also restricts the availability of the advance payment to the basic credit amount for one child. The additional credit amount for two or more children, the supplemental young child credit and the health insurance credit can not be claimed in advance.

Separate EITC form. The new credits have added a considerable degree of complexity to the process of filing for the EITC. Starting with the tax returns for tax year 1991---to be filed in early 1992---all those filing for the EITC will have to fill out a separate form to attach to their basic form 1040 or 1040A. (Tax payers who itemize deductions also have to fill out a separate form.) The IRS and advocacy organizations alike are concerned that low income working families will need to be informed of this new requirement if they are to benefit from the credit.

Public information and outreach campaigns. In recognition of the need to fully inform those eligible for these new credits, the new law takes the unusual step of requiring the IRS to conduct a "program to increase public awareness" both of the availability of the new credits and of filing procedures.

The Center on Budget and Policy Priorities in Washington D.C., has been conducting a vigorous national information and outreach campaign on this issue for over three years. More recently the National Women's Law Center has also begun a similar campaign specifically targeted to child care advocates and child care employees. Both organizations are anticipating working with the IRS to coordinate mutual efforts (see Organizational Resources, pages 28-30).

Assessment

Sawhill and colleagues have pointed out that the EITC is of only modest value as an anti-poverty weapon when the poor are considered as a whole. However, for a very important sub-group of the poor, working families with children, it assumes a much greater significance. How helpful then is the newly expanded EITC program to families who plan to use the credit to help pay for child care? As can be seen graphically on Charts I and II, there is a substantial increase in the

credit amount families can claim under the various credits in the new law as compared with current law. In terms of the credit available to pay for child care, by 1994, families who can claim the maximum amount of the basic credit will receive approximately $2,000 in benefit. The most recent child care expenditure data available reports that *on average* , across the country, families who paid for care, paid $50.70 per week for full time care including all types of care, which comes to about $2640 a year (O'Connell and Bachu, 1990). Thus, while the EITC certainly does not pay the full cost of center based developmental child care it could be used to pay the substantial portion of informal care---a family day care home or relative. (For a discussion of child care costs and expenditures see Ooms and Herendeen, March, 1989.)

II. NEW STATE CHILD CARE GRANT PROGRAMS

CHILD CARE AND DEVELOPMENT BLOCK GRANT

(Sources: APWA, 1990; Boehm, Miller and Ferreira, 1990; FSA, 1990; Omnibus Budget Reconciliation Act of 1990, Section 5082, P.L. 101-508)

The Child Care and Development Block Grant of 1990 establishes a new state grant program which authorizes $2.5 billion over three years to states ($750 million in FY '91, $825 million in FY '92, and $925 million in FY '93) and "such sums as may be necessary" in FY '94 and FY '95. These funds, which are allocated to the state under a formula and do not require a state match, may be used for a variety of activities. States are given considerable freedom within some very broad parameters to choose the activities they wish to fund. Appropriations for FY '91 are $732 million.

Child care assistance and quality improvement. Seventy-five percent of the funds are to be used to provide child care services to eligible children on a sliding fee scale and on activities designed to improve the availability and quality of child care. This set-aside gives states a great deal of latitude, although it is expected that most states will use this portion to subsidize the cost of child care for poor families, which was the expressed intent of the conference committee. A child eligible for direct services is defined as one under the age of 13, in a family whose income does not exceed 75% of the state median income, and whose parent or parents are working or attending a job training or educational program. States are to give priority to children in families with the lowest incomes or with special needs.

The remaining 25% is to be used to carry out activities to improve the quality of child care and to increase the availability of early childhood development and before-and after-school care services. The legislation states further that of this amount:

---20% must be reserved for one or more of the following quality improvement activities: resource and referral program; grants or loans to providers to meet State and local standards; improvements in monitoring compliance and enforcement of state and local regulatory requirements; training; and salary improvements for child care staff;

---75% to establish, expand or conduct (through grants or contracts) early childhood education and/or before-and after-school child care programs; and,

---5% for either quality improvement or early childhood education and latchkey programs.

The legislation does not set any limits on the amount of funds that states may use for administrative costs while undertaking the above activities. The legislation did not designate a federal agency to implement the program but HHS has since placed the responsibility within the Family Support Administration (see implementation discussion on page 10).

Methods of providing care and eligible providers. The legislation requires states to offer parents two basic options either (1) enrolling their child with a provider that has a grant or contract to provide services or (2) receiving a child care certificate to be used as payment by the parent for child care services to eligible providers of their choice. States have until October 1992 to establish the certificate (voucher) programand will probably need this time to create or expand a system of certificates. Depending on how much flexibility is permitted in the regulations, states may have the choice of implementing a very simple certificate system whereby certificates are given to parents who can choose providers freely or a more complex system whereby providers must be pre-approved in advance.

Eligible providers include center-based care, group home care, and family day care homes that are licensed, regulated or registered under State law and meet applicable state and local requirements. The law says that the "child will be enrolled with the eligible provider selected by the parent to the maximum extent practicable." Family members who are related to the child as a grandparent, aunt or uncle are also eligible providers. (Generally, this will be through the use of certificates.) Providers not required to be licensed or regulated under state or local law are required, under the Act, to register with the state for purposes of receiving payment and information from the state. This requirement also extends to relative care.

Parental choice and rights. The use of child care certificates and the allowance of care by relatives are intended to enhance parental choice. The law states, as well, that certificates may be used by the parent for sectarian care. Other provisions of the law also are intended to enhance parental choice and help to educate parents about child care services. For instance, states must provide assurances in their state plan that they will:

---Ensure that parents have unlimited access to their children whenever they are under the care of a provider who is assisted under the Act.

---Maintain a record of substantiated parental complaints and make information regarding such parental complaints available to the public on request.

---Make consumer education information available to parents and the general public regarding licensing and regulatory requirements, complaint procedures, and other state policies and practices regarding child care.

State administration. The block grant is to be administered by a lead agency designated by the Governor. The lead agency must submit a state plan to cover the first three years of the program and consult with local government officials during its preparation, as well as conduct a public hearing. The lead agency is also directed to coordinate this program with other federal, state and local child care and early development programs. Although $732 million has been appropriated for FY '91, states are not authorized to obligate these funds until September 7, 1991---almost the end of the fiscal year. States may use this time to plan their program, although it appears that resources expended for developing the state plan prior to September 7 will not be reimbursed retroactively. States will, however, be able to carry over their FY '91 allocation into FY '92. Many details of a state's program will be tentative until HHS issues the final regulations. The timetable for the regulations is unknown and final regulations may not be issued until next fiscal year. However, HHS officials have expressed their intent to move quickly and to have reasonable guidelines available before September.

Standards and reporting requirements. As mentioned above, the law requires that all providers receiving funds from the Act register with the state and comply with applicable state and local laws. Additionally, the state must establish health and safety requirements for all providers assisted under the Act and ensure that the providers are in compliance with them. To the

disappointment of many advocates, other standards typically associated with quality such as staff/child ratios, group size limits and staff qualifications were not included in the legislation. Standards must be established for:

---the prevention and control of infectious diseases (including immunizations);
---building and physical safety standards; and,
---minimum health and safety training appropriate to the provider setting.

The legislation does not list anything more specific than these broad categories. Unless the regulations determine otherwise, it appears that states will have a great deal of flexibility in setting the exact standards. However, they may turn for guidance to the forthcoming report of the American Public Health Association and the American Academy of Pediatrics on health and safety. performance standards for child care programs (see in references APHA & AACP report, forthcoming in summer 1991).

The legislation also requires that states must review their licensing and regulatory requirements and policies if they have not done so in the past three years.

Additionally, the legislation outlines fairly extensive annual reporting requirements for states which include the use and amount of funds under the Act, the number of children being served by this and other federal child care and preschool programs; the type and number of child care providers and workers in the state; information on salaries; and the extent to which affordability and availability of child care have increased. Advocates have long been frustrated by the lack of comprehensive and consistent data from states on their child care programs and were pleased at these requirements.

TITLE IV-A CHILD CARE ASSISTANCE PROGRAM

(Sources: APWA, 1990; Boehm, Miller & Ferreira, 1990; OBRA, 1980)

The second new state grant program amends Title IV-A of the Social Security Act (the JOBS program of the Family Support Act) to provide states with additional funding to provide child care assistance through a sliding fee scale to "low income non-AFDC families that the State determines (i) need such care in order to work; and (ii) would otherwise be at risk of becoming dependent upon AFDC." This new program thus expands the IV-A child care assistance authorized under the Family Support Act which provides child care for families participating in JOBS and for 12 months of transition.

Unlike the Child Care and Development Block Grant, the Title IV-A program requires a state match (at the Federal medical assistance percentage rate), which ranges from 20 to 50% depending on the state. The funding, $300 million for each fiscal year FY '91 through '95, is provided as a capped entitlement and will not require a separate annual appropriation. States may apply for funds immediately, but no later than August 1, 1991 to receive their FY '91 allocation. As with the CCDBG, final regulations will not be completed for sometime but HHS has issued an "action transmittal" (12/19/90) to provide general guidance to states in the meantime. However, the guidance is only preliminary, is subject to change and leaves many questions unanswered.

State administration. A state's Title IV-A agency, which currently administers JOBS and transitional child care will have responsibility for administering this program. Under the guidelines described in the action transmittal, the IV-A agency must submit a plan to HHS which includes a description of the program objectives, results expected and implementation plan. The IV-A program grants states the flexibility to define "low income" and who is "at risk" of unemployment

and therefore eligible for the program. States may provide care by providing it directly, through service contracts or vouchers to providers, providing cash or vouchers in advance to the family, reimbursing the family or other arrangements the agency deems appropriate. For the most part, these methods are consistent with those permitted under JOBS and the CCDBG programs.

Eligible providers and regulatory requirements. Eligible providers are not specifically listed but, based on current regulations for JOBS and transition child care, would include center-based care, group home care, family day care. Providers must meet applicable state and local standards, be either licensed, regulated or registered and provide unlimited access to parents. As with the CCDBG, relative care is also eligible but under the IV-A program these individuals are not required to register with the state. The IV-A program also contains a number of state reporting requirements, including the number of children served by type of care, which appear to be less burdensome than the CCDBG reporting requirements. Unlike the CCDBG, the new IV-A program does not contain any provisions to improve quality or require states to establish standards in specific areas.

Child Care Improvement Grants

The child care package also amends a pre-existing $13 million discretionary grant program to states to improve licensing and registration and to monitor child care provided to AFDC recipients. The authorization for the Title IV-A Child Care Improvement Grants was increased to $50 million for FY '92-94 with the additional stipulation that at least half of the funds must be used to train child care providers.

GRANTS PROGRAM IMPLEMENTATION ISSUES

(Sources: Adams, 1990; APWA, 1990; Blank, 1991; Boehm, Miller & Ferreira, 1990; Isaacs, 1990; Kagan, 1990; Ross, 1990)

As states move into the planning phase for these new child care programs, a number of issues and concerns are beginning to emerge. Some center around the uncertainty that exists because so many of the details and rules for implementing the legislation have not yet been spelled out in regulation. Others are more fundamental, for example, will states be able to successfully integrate these new programs with existing ones to create a comprehensive child care system for low income families or will they become lost in a maze of funding streams and differing regulatory, eligibility and administrative requirements? And perhaps most importantly, will these new child care proposals significantly expand child care services and enhance quality, particularly in light of the worsening fiscal situation at both the federal and state level? Many of these issues will not be resolved for several years, until implementation is in full swing and certainly the situation will vary in each state. The following is a discussion of some of the major issues and questions surrounding the implementation process focusing on three broad topics: coordination and integration, quality improvements and expansion of assistance.

Problems of Coordination and Integration

States and local governments will need to work to integrate these new funds in a manner that minimizes administrative costs, and addresses existing gaps and deficiencies in their child care system. Both pieces of legislation provide some directives to states to coordinate and integrate these programs with other programs for children but do not create specific mechanisms or target specific resources to accomplish these goals. Nevertheless, the new programs do provide an opportunity for states, with the assistance of the federal government, to work toward creating a

comprehensive, coordinated system which will provide a continuum of care as families move from one program to another as their income changes and their children grow older. However, the task, by all accounts, will be challenging.

Currently, there are nearly two dozen federal child care assistance programs. However, states receive the majority of federal funding for child care through the Title XX Social Services Block Grant, Title IV-A Jobs/Transitional Child Care, Child Care Food Program and through numerous smaller programs such as the State Dependent Care Development Grants, and the Title IV-A Child Care Improvement Grants (see Ooms and Herendeen, April, 1990). Additional federal funds are provided directly to more than 2000 diverse early childhood development programs primarily administered under Head Start (see below page 16). Further, many states have created their own state-funded child care, preschool and early childhood development programs.

In order to create a system that efficiently and effectively provides child care to low-income families, states must overcome the complexities caused by the lack of uniformity among all these programs. Each of these programs have different funding streams, primary objectives, eligibility rules, reimbursement rate limits, regulations, matching requirements, allowable uses and reporting requirements. At the state level, different agencies may be responsible for implementing different programs. For example, very often the agency administering Title XX SSBG child care is different from the agency administering child care under JOBS. Additionally, early childhood education programs (such as Head Start) are viewed as distinct from child care and may be located in another department altogether such as the state department of education, rather than the human services department. Much of the funding the state receives or appropriates for child care is passed down, directly or through contracts, to local governments who then must also deal with different state agencies.

The administrative fragmentation that exists at state level is paralleled, for the most part at the county and community level, although some counties and communities have been able to create vehicles or offices that conduct or facilitate centralized and coordinated planning (for example, the Fairfax County VA, Office for Children).

Because these programs may reflect different philosophies, (see introduction) they may have different standards and expectations for the child care services they provide. For example, child care is considered a secondary or supportive service under the JOBS program whose major objective is to educate and train AFDC parents so they can become employed. Some placements under this program may not be of as high quality as child care centers fully-funded by SSBG funds or of early childhood education programs such as Head Start where developmental rather than custodial care is emphasized. Coordination is difficult when there are different or competing goals.

Lack of coordinated planning and administration may be most detrimental to the children and families. They may be faced with sudden changes in fees, interruption in assistance, requirements to move from program to program, or fall through the cracks altogether as they lose eligibility for one program (such as transitional child care) and seek assistance through another (such as the new Title IV-A or CCDBG). Similarly, providers may have to deal with a number of different agencies and their rules, regarding reimbursement payments, standards, etc. Lack of coordinated planning may also result in a mismatch of services with needs, duplications of services, competition for children and serious gaps. Some areas of the state may have an excess of center-based care and a dearth of family day care, while others may not have any good quality, center-based programs at all. In many communities there are severe shortages of care for parents who work non-traditional hours, for infant care, or care for handicapped infants and children. In rural areas, since transportation is such a problem, centers may have unfilled slots.

Strategies for Coordination and Integration

Despite the complications involved in administering these new programs state and local officials, program providers, and child care advocates are generally quite pleased with the new funds, and with the opportunity it provides them to improve their child care services overall. Already a number of creative suggestions are being proposed to address the common desire to create a more coordinated system of child care services. To date, there have been numerous success stories of collaborative efforts at the program services level. But coordination and integration of entire systems at the state level are very scarce. In general, the lesson of many past attempts at coordination and collaboration is that they are most likely to succeed only where resources of time and money are specifically allocated for these activities and where there is strong leadership from an individual, program or agency. Some of these suggestions include:

- **Interagency task forces.** An appropriate administrative mechanism at the federal, state and local levels is the creation of a task force of agencies involved in the implementation of child care programs. At the federal level, the task force could review policies and practices to streamline and coordinate regulatory requirements. At the state and local levels, the Task Force could also serve a critical planning function by identifying gaps and problems in the current child care system and determining how the new funds might be used to address them. The Children's Defense Fund has identified a useful list of key issue areas where coordination should be improved, which should be very helpful to state and local task force efforts (see Table 1, page 36).

- **Interagency agreements**. The designated lead agency at the state level can develop agreements with other agencies who are better suited for specific tasks. For example, the State IV-A agency could enter into an agreement with a major child care agency in the state to provide direct services, or contract with a resource and referral agency to help find child care for special needs children from AFDC families whose mothers are enrolling in the JOBS program.

- **Centralization.** At the local level, all child care and child development programs could be placed in a single agency which would have both planning and implementation responsibilities.

- **Federal/state integration/decategorization.** Enact federal legislation that would authorize demonstrations or waivers that would permit states to pool all funding for child care and create a single, comprehensive program.

- **Provide financial incentives and resources** for state and local governments to coordinate and integrate child care programs. Some potential sources already exist and could be allocated to system coordination activities. For example ACYF already uses their Head Start demonstration grants program to fund state coordination activities. Other such programs could be similarly targeted. The Young Americans Act title in the Hawkins umbrella Act, is another source for funding state coordination grants once it receives appropriations. Finally there are no limits set on the percentage of funds that can be allocated in the CCDBG and Title IV-A program to administrative activities. Presumably, some of these funds can be allocated to coordination.

Quality Improvements

The original ABC bill, S. 5, mandated that states set and enforce minimum federal standards for all providers receiving public funding in a wide number of areas including staff/child ratios, group size limits, health and safety requirements and staff qualifications. Additionally, states could spend

up to 10% of their grants on specified quality improvements. Many of these provisions were opposed by conservatives who objected to federal intrusion in the regulation of child care and by Governors who wanted greater flexibility in the uses of the funds and opposed federal pre-emption of state standards.

The provisions related to quality in the final negotiated agreement are considerably less far-reaching. Under the CCDBG, states theoretically have the option of using over 80% of their funds for quality improvement activities. However, with the demand for child care assistance being so great among low-income families, it seems unlikely that states would use much of the funds that are also available for direct child care assistance on quality improvements instead. Under the law, states are only required to dedicate 5% (20% of the 25% set-aside) of their allocation to these activities, on average, about $700,000 per state in FY '91. This is a relatively modest amount for improving salaries of child care workers, funding resource and referral programs, providing training and technical assistance, improving monitoring and enforcement of licensing and standards, and establishing a grant/loan program to assist providers in meeting standards.

The CCDBG does require states to establish and enforce some standards related to basic health and safety for providers receiving assistance under the Act in the areas of prevention and control of infectious diseases (including immunizations); building and equipment safety; and minimum health and safety training for providers. Given the very general language of the bill and the history of the legislation and negotiations and the Administration's philosophy, it is expected that states will have almost complete flexibility in setting the requirements within these broad categories. Thus, states may make them as weak or effective as they choose. Yet, improvement in these areas are clearly needed. According to the Children's Defense Fund Report, *Who Knows How Safe?*, in early 1990, one-fourth of all states did not require basic immunizations for children in family day care; and 24 states did not require that licensed child care centers have energy-absorbing surfaces underneath their swings and other play equipment. Additionally, in 1989, 22 states either made no effort whatsoever to help child care providers obtain training or offered only very limited unspecified forms of assistance (Adams, 1990).

Under the CCDBG law, these requirements would only have to apply to providers receiving assistance under the law raising the question of whether states might create a two-tiered system of standards. Given the complications of enforcing different sets of standards, however, this would seem unlikely.

While these standards can make a significant contribution to the health and safety of children in child care, there are other important measures of program quality. Staff/child ratios, group size limitations, staff qualifications and stability, are generally considered to be the critical indicators of quality but they are not addressed in either the CCDBG or the Title IV-A program.

The new programs also may improve the quality of care indirectly by helping parents make better choices when selecting child care. The CCDBG law requires states to educate parents about the state's licensing requirements and regulations; establish and provide public access to substantiated parental complaint records, and require unlimited parental access of providers funded under the Act.

If states take these requirements seriously, they certainly have the potential to improve the current quality of child care services. For example, by educating parents---through consumer education campaigns, print and media materials available through resource and referral agencies and providers, for example---about the components of good child care and the relationship between regulations and quality care, parents will be better able to identify good quality care and to monitor their child's care provider. Still, as the Children's Defense Fund pointed out, lack of knowledge is

only one component that limits parents ability to choose quality care, cost and access also impose major limitations.

Finally, as noted in the description of the CCDBG program, states are required to undertake within 18 months a comprehensive review of its licensing and regulatory requirements and policies of each agency that regulates child care in the state (unless it has done so in the past three years). This will bring to light particular standards and practices that need changing to improve the quality of care, although some child advocates regret that the provision requiring a state advisory committee of public and private child "specialists" was not retained from the ABC bill to ensure public involvement in this process.

The new Title IV program does not address quality issues directly, however, the expansion of the existing Title IV-A Child Care Improvement Grants to a $50 million authorization will also provide additional dollars for improvements in state licensing, registration, monitoring and training.

Expansion of Child Care Assistance

The two grant programs represent a substantial increase in federal spending for child care. Christine Ross, an analyst at Mathematica, has estimated that if states spend the maximum amount appropriated for direct child care assistance under the CCDBG, (75% of $548 million) and fully match the $300 million available in Title IV-A money with $245 million in state funds, total new funding for child care slots from FY 1991 appropriations would be $1.1 billion. (Ross, 1990) Calculating the cost of slots at $70 per week or $3,500 per year, she estimated that nationwide an additional 312,600 child care slots for preschool child care can be funded from the new child care grants legislation. While this estimate does not take into account funds received under the required parent contributions through sliding fee scale, (which could increase the number served), it also does not account for deductions for state administrative costs (that would decrease the number served).

For several reasons, the number of funded child care slots will not even be this large. First, the CCDBG legislation contains language prohibiting states from using federal monies received to supplant other Federal, state and local dollars for child care or related services. This provision is intended to ensure that the funds received under the block grant supplement or increase spending on child care. However, because of the growing economic recession and fiscal woes, some states are having to reduce their human services budgets and hope to be able to use some of the new federal dollars just to maintain services that would otherwise be cut. While a state budget cut targeted to child care (and replaced with federal dollars) would almost certainly be considered supplanting state funds, an across-the-board cut among human service programs might not be. States are anxiously awaiting interpretation of this provision in the federal regulations. They are concerned as to whether there will a maintenance of effort clause, and how broadly "related services" will be defined.

States are also being advised to use a good portion of their funds to expand the child care "infrastructure" not merely to fund more slots but to take advantage of the flexibility under the CCDBG to expand the supply of high quality programs and to fund and develop child care resource and referral programs that can provide a vital information link between parents, providers and government agencies.

As with the CCDBG, there is a nonsupplantation provision in the new Title IV-A program; states are not permitted to use these IV-A funds to supplant any other Federal or state funds used for child care services. Moreover, the Title IV-A program requires a state match which ranges from 20-50%. Given the states' tight budgets, it is unlikely that they will be able to come up with

enough dollars to draw down their full federal allocation and they may have little incentive to do so since they will receive new money under the CCDBG without a state match. Additionally, most of new state spending on child care is being be used as a match for mandatory programs such as JOBS/transition child care. Finally, state participation is expected to be particularly low in the first year because the program began when most states were already mid-cycle in their fiscal year and their budgets had already been set. Based on these reasons, CBO estimated that in FY 1991, states would draw down only 25% of the funds available in FY 1991, 40% in FY 1992 and rising to 85% by FY 1995.

The regulation concerning what funds states can use for the matching requirement will be of considerable importance: for example, can they use existing non-matched state funds to match the federal dollars or only new spending. Presumably, eligible state matching funds will be limited to those funds spent on child care for the eligible population. The broader the definition of matching funds, the greater the amount of federal dollars states will be able to draw down.

Federal Implementation Issues and Questions

While the task of coordination and integration at the state level is quite daunting, there are many implementation challenges at the federal level. Recently, the Secretary of HHS designated the Family Support Administration as the lead agency at the federal level to administer the CCDBG. This is also the agency administering the existing Title IV-A JOBS and transition child care and the new IV-A program. Locating these programs within the same agency may facilitate coordination among them and the streamlining of regulations, reporting and state plan requirements to the extent allowable under the different laws. However, many advocates would have preferred that the CCDBG be placed in the Administration for Children, Youth and Families, which also administers the Head Start program, where the emphasis is on quality, developmental programs. They perceive FSA as more concerned with custodial child care to aid maternal employment than with quality.

Separate funding was not provided in either the CCDBG or the new IV-A program for the cost of federal administration of these funds. While this may restrict the agency's ability to undertake innovations and changes or provide technical assistance to states to aid in implementation, an HHS official commented that he believes resources will be available to implement the program.

As previously mentioned, even the draft regulations for the CCDBG may not be published until late in the fiscal year. Thus, states face a great many unanswered questions even as they prepare their state plans and perhaps even begin implementation. While some of these questions have been mentioned before, here is a preliminary list of questions that federal regulations must address:

1. How will the federal government define "supplement and not supplant"? Will the regulations require a maintenance of effort clause pegged to a specific year? Will the regulations take into account that many states will have to cut their budgets because of the economic recession?
2. What kind of requirements will states have to comply with in establishing and administering the certificate/voucher program?
3. How much flexibility will states have in establishing reimbursement rates for child care services?
4. Will only new spending be eligible to count toward the required state match under Title IV-A or is existing spending permissible and what kinds of expenditures are counted?
5. Will the federal government set specific requirements or guidelines for state implementation of a consumer education program, a record of parental complaints and state review of its licensing and regulations?

6. Will the federal government set specific requirements for the state standards health and safety requirements under the CCDBG or leave it for the states to decide?

III. HEAD START REAUTHORIZATION AND EXPANSION, Title I, P.L. 101-501

(Sources: Bolce, 1990; Collins, 1990; Collins Management Consulting, 1990; Head Start Bureau, 1990 ; Gebhardt, Nov. 1990; Goodman and Brady, 1988; McKey *et. al.* 1985; Project Head Start, 1991; Silver Ribbon Panel Report, 1990; Slaughter *et. al.*, 1988; Stewart and Robinson, 1990; Washington, 1990; Zigler and Valentine, eds. 1979)

The reauthorization, expansion and other amendments to the Head Start program accomplished by Title I of the Augustus F. Hawkins Human Services Reauthorization Act of 1990 (P.L.101-501) has been hailed as landmark legislation. It greatly increases the program's funding, and includes several provisions to strengthen quality and accountability of the twenty five year old, highly popular program.

The leadership of several Democrats was central to its passage---namely Christopher Dodd (D-CT) and Ted Kennedy (D-MA) in the Senate and Augustus Hawkins (D-CA) in the House---but in general, the bill received broad bi-partisan support and escaped controversy. Indeed, in his FY '90 budget President Bush had proposed a $500 million increase in funding for Head Start in order to serve an additional 180,000 low income 4 year olds.

Many hard choices will need to be made by national and regional federal offices and at the grantee level. The major dilemma will be the trade-off between horizontal and vertical expansion, namely whether to use the new monies to serve more children or to provide increased and improved services to a more limited number. Also, there are numerous questions about the extent to which Head Start as a federal-to-local program can coordinate with the numerous other federal and state early childhood education and child care programs that are largely administered at the state level. In addition, as Head Start moves increasingly to serve as a child care program for employed parents and to serve all eligible children there are concerns about whether it can it sustain its high quality. Finally, as Head Start expands in the direction of serving all eligible children, concerns are raised about whether it can sustain its quality.

We now briefly describe the background and components of the Head Start program, current problems and the provisions of the new law that are designed to respond to them.

Background and Description of the Head Start Program

Head Start was launched as a pilot demonstration in 1965 as part of the War on Poverty. Originally administered by the Office of Economic Opportunity, Head Start began as an eight week summer child development program for low income 4-5 year olds and their families. By 1982 all the children were served throughout the school year. Head Start's primary aim was to boost the children's social competence in order to improve their school achievement in later years. However, the ecological philosophy upon which it was based determined that many other components of a child's life needed to be addressed to overcome the disadvantages of poverty. Hence the program also included comprehensive health, nutrition and social services and a strong component of community and parent participation.

In 1974, the program moved to the then Department of Health, Education and Welfare and is presently administered by the Head Start Bureau in the Administration of Children, Youth and Families. Structurally, Head Start is a federal program of direct grants to community level entities

known as **grantees** who may subcontract with **delegate agencies** to run the programs. In 1990, there were 1,283 programs which included community action agencies (35%) private non-profit organizations (28%), public schools (19%), state and local governments (8%), religious organizations (5%) and other organizations such as tribes (5%). Federal regional offices and the Indian and Migrant Program branches are responsible for reviewing and rating grant applications and monitoring performance standards. Federal Head Start funds can provide only 80% of the total costs of the program, which must be matched by other sources of funding.

Eligibility. Current regulations require that 90% of the families of enrolled children's income be below poverty (i.e. $12,100 for a family of four in 1989), with the lowest income given preference and 10% of slots must be available for the handicapped. Once enrolled the child may continue in the program even if the family's income changes. Children must be between 3-6 years of age, with the exception of the Parent and Child Centers and the Migrant Centers which take infants and children up to age 3.

Characteristics of children and families served. In FY '89, 450,970 children were served, including 13.5% handicapped children. Enrollment was at its highest in 1966 (733,000), dropped in half by the late seventies, but in the early eighties began a steady rise which continues. In FY '89, 64% of the enrolled children were four year olds, 25% 3 year olds. The large preponderance of Head Start enrollees are members of minority racial and ethnic groups. In 1989, of the total enrollment, 67% were minorities and only 33 % were white (38% were black, 22% Hispanic, 4% Native American, and 3% Asian). Nearly a half of the families received AFDC and more than a half were single parent households.

Budget. Funding for Head Start has grown from $96.4 million in FY '65 to $1.386 billion in FY '90. Of these monies in 1989 approximately $34 million was spent on training and technical assistance, research, demonstration and evaluation programs and monitoring. Head Start has largely been protected from federal budget cuts and between FY '80 and FY '89 its funding levels have steadily increased. However, there is general agreement that the funding has not kept up with inflation and in addition, the percentage of funds devoted to components affecting quality, such as training and technical assistance have lessened.

State Head Start allocations are determined by a complex formula essentially based on the number of poor children in the state.

The average federal cost per enrolled child per year in FY '90 is estimated to be $2,767. This figure excludes indirect costs (e.g. for training, research etc.). It is important to note that the actual costs for different children may vary considerably depending on the costs of different program options, geographical differences, and whether transportation is used.

Program Design and Key Components

Contrary to the popular view, Head Start programs are quite diverse. "Head Start is not, in any simple sense, a uniform 'treatment'. The common denominator of Head Start programs nationwide is conformity to a set of regulatory performance standards that reflect comprehensive service requirements in education, parent involvement, social services, and health services" (Collins Management Consulting, Inc., 1990. page 4).

Program Options. For more than two decades, Head Start has served as a national laboratory for the development and testing of innovative early childhood and family support programs. While the typical Head Start child is usually four years old and participates in a half day program for one school year prior to kindergarten, grantees are allowed and often encouraged to choose from a

variety of program models or options. These can include both center-based and home-based services ranging from a full-day, full-week to a part-day, part-week schedule or weekly home visit.

In addition, programs have struggled to meet the needs of increasing numbers of employed parents through seeking sources of so called 'wrap-around' funding to allow the program to operate for a full day. Alternatively some programs have been experimenting with 'wrap around' programming involving transporting the children to other programs for the remainder of the day, although this is being somewhat discouraged Some programs have set up networks of 'satellite' family day care homes.

The design of an individual program is determined through negotiation with the regional office staff in the grant application and review process. These negotiations, and the staff's priority rating system are the principal vehicles through which any particular federal administration exercises its own policy priorities and preferences in the Head Start program.

Although not a program option per se, one of the strong and unique features of Head Start Programs is the development of various multi-cultural approaches to meet the needs of families from a wide range of ethnic and cultural backgrounds and approaches specifically designed to serve migrant and rural families and handicapped children.

In 1967, the national program established **Parent and Child Centers**, which provide prenatal and post natal services to Head Start eligible parents, infants and toddlers. Currently there are 38 such centers. PCC programs are administered by the Head Start Bureau and until the recent expansion of this program in the reauthorization were not required to be Head Start grantees. ACYF also pioneered a family support program model within Head Start called the Child and Family Resource Program which, however, are no longer funded.

Comprehensive Services

Under the performance standards, Head Start grantees are required to offer comprehensive services in the following areas:

Health services. These include medical immunizations, examinations and referrals, (including mental health) and dental services, preventive health services and parent health education. Programs are encouraged to reach out for other sources of funding for these services, such as the Medicaid program and nutritious meals through the Child Care Food Program.

Education services. These include providing children with a learning environment and varied experiences to help them develop socially, intellectually, physically and emotionally in a manner appropriate to their stage of development and promoting their social competence. Parents are provided with education services related to improving their knowledge of child development and improving their parenting skills.

Social services. Social workers conduct outreach activities to recruit eligible children and families including handicapped children; encourage parent participation in the program; and work with families to assess their needs for social services and refer them to appropriate resources.

Parent involvement. Parent involvement is a unique and important feature of the Head Start program. However, it is a broad umbrella term covering different goals and types of activity as follows:

---*Parent empowerment activities*. Parents are elected to serve on advisory committees and policy councils. (These bodies must include a proportion of parent representatives.) In this capacity parents help establish program priorities, policies and procedures.
---*Parent education activities*. Specific educational programs offered in the center or in the home provide parents with information about child development and enhance parenting skills. In addition, parents are strongly encouraged to participate in the classroom as volunteers and this experience also teaches them a great deal about child development and working with children.
---*Teacher training and a career ladder*. Parents are often hired as teacher aides and provided with in-service training. Through acquiring the Child Development Associate training and credential the program offers a career ladder with considerable employment potential.
---*Parent services*. The program's basic social services component provides direct services to parents through assessment of some of their individual and family problems such as housing and substance abuse and are designed to encourage economic self-sufficiency. In addition, the Parent and Child Centers provide information and referral about prenatal and post natal nutrition and health care, and a variety of information and support services useful to parents with infants and young children.

Training and Technical Assistance Activities

The Head Start Training and Technical Assistance network (T & TA), through the Regional Training Centers and Resource Access Projects, provides various kinds of training, technical assistance and support services to grantees and program staff that enrich and sustain program quality and help to meet special and emerging needs (for example, helping program staff with the growing issue of substance abuse). These activities are provided on site, in regional meetings, through publications and personal correspondence.

The national Child Development Associate (CDA) Program, funded by Head Start, provides professional and non-professional early childhood employees across the nation with a curriculum of course work (which may be obtained at local community colleges and universities) and supervised classroom experience which can lead to academic degrees or certification as a CDA which is an increasingly recognized credential in the child care field. This program is credentialled by the National Association for the Education of Young Children and administered by the Council for Childhood Professional Recognition (see Organizational Resouces page 30). In 1989, 78.4 % of Head Start teachers held a degree in early childhood education or a CDA credential.

HEAD START EXPANSION AND QUALITY IMPROVEMENT ACT, Title I of the Augustus Hawkins Human Services and Reauthorization Act

As the Head Start program approached its silver anniversary, a reassessment of its goals and accomplishments, strengths and weaknesses was undertaken at the national level, in order to plan future policy and program directions. The National Head Start Association set up a Silver Ribbon Panel to conduct a comprehensive assessment of the status of Head Start and make recommendations. The strong input of the Head Start community into congressional hearings and the findings of the Panel helped congressional staff shape the new legislation. The Panel's final report made three principal recommendations to the federal government followed by numerous specific strategies for achieving them (Silver Ribbon Panel, 1990, page 36):

- Invest in the quality of Head Start to ensure that the program provides effective comprehensive services to children and families.

- Increase funding so that all eligible children who need Head Start can participate and local programs can provide services that meet the needs of today's families.

- Provide leadership to build a more coordinated and effective system of services for children and families through collaboration and research.

Throughout this final report there is a strong emphasis on promoting quality. "The panel believes that protection of program quality is the top priority. Program expansion should **never** occur at the expense of quality" (p. 36).

The key provisions of the new legislation will be presented here as they relate to the principal concerns and problems identified in various reports.

---Program expansion to serve all eligible children.
---Quality improvement.
---Increased flexibility to meet emerging diverse needs.
---Improved coordination with other related programs.
---Strengthened research and evaluation.

#1. Program Expansion to Serve All Eligible Children

Nature of the problems. Current estimates are that of the five million Head Start eligible children five years old and younger, Head Start only serves 1 in 5 of the eligible 3-5 year olds, and only 13,000 of the possible 2.5 million children zero to three. Given the general consensus about the significant benefits of Head Start for low income children and their families, and the persistently high rates of child poverty, the Silver Ribbon panel and other reports strongly recommended that additional funding was needed so that "every eligible child and family could participate."

Act's response. Based largely on estimates provided by the Congressional Budget Office and others that it would cost $8.3 billion to serve all poor 3-5 year olds by FY '93 under a three year phase-in period, the new law authorizes substantial increased funding over the next four years beginning with $2.386 billion in FY '91 which would reach $7.6 billion for FY '1994. Appropriations for 'FY 91 are $1.95 billion, an increase of $400 million.

It was clearly the congressional intent to serve all eligible 3-5 year olds in need of services. However, what this goal will cost remains ambiguous and elusive and is difficult to quantify. The CBO projection was based on certain assumptions about program costs per child which may not be sustained if, for example, children are provided with more intensive services, or for a full day, and/or more children under three are served, or children are served for more than one year. Moreover, it is not clear how many eligible children are currently "in need of Head Start services" since there is no information currently available about the extent to which Head Start eligible children are enrolled in other programs, what the quality of these programs are or the families' preference to use other programs, especially, for example, if they are employed.

#2. Quality Improvements

Nature of the problems. Many concerns had been expressed that Head Start programs are rapidly becoming unable to sustain the unique quality of their comprehensive services. This concern has primarily centered around the low level of staff salaries (nearly a half of the teachers earned less than $10,000). Studies have correlated low child care salaries with high turnover and

inadequate qualifications. Many Head Start programs have reported losing qualified staff to the increasing number of public school sponsored early childhood preschool programs where staff are paid significantly higher salaries.

A recent report of a study of Head Start staff salaries, while confirming the widening salary gap between Head Start and public school teachers' salaries and the increasingly high staff turnover rate, points out that Head Start salaries and turnover rates still compare favorably to child care programs in general (Collins, 1990).

Additional developments that threaten the quality of programs are the cutbacks in federal regional staff and their travel funds, thus reducing their ability to effectively monitor the programs; cutbacks in related programs that have provided matching funds or services; reductions in the percentage of program funds available for training and technical assistance; reduced availability of affordable space and facilities due to displacement by newly established school and religiously sponsored preschool; rapidly rising costs for non-personnel expenditures; the increase in numbers of families with serious, and multiple problems, creating increased pressure for increased levels of social and health services.

Act's response. The new act addresses these quality concerns in several ways.

---By setting aside 10% of the total funds in FY '91 and 25% of the increase in appropriated funds in subsequent years, for quality improvement. No less than 50% of these funds are reserved for salary increases.
---Two percent of the appropriation is set aside for training and technical assistance, thus assuring they will keep up with program expansion.
---Requiring that by 1994, every Head Start classroom must have at least one teacher with a CDA or other appropriate early childhood degree or credential.
---Requires federal officials to conduct a full performance standard review of every program at least once a year.

In addition, a separate title of the umbrella legislation (P.L. 101-501) reauthorizes the CDA scholarship assistance program and increases income eligibility for the scholarships. The Hawkins Act, under a separate title, also provides increased funding for the Comprehensive Child Development Centers Program, a grant program established in 1988 designed to provide a continuum of comprehensive services to children from low-income families from birth to school age. This program is administered by the Head Start Bureau and some of the programs are also Head Start grantees.

#3. Increased Flexibility to Meet Emerging and Diverse Needs

Nature of the problems. The Silver Ribbon Panel and other studies underscore the changing characteristics and circumstances of Head Start eligible families. Increasing rates of single parenthood, of maternal employment and of problems such as substance abuse, AIDS, and child and spouse abuse place pressure on local grantees to become more flexible about program design and require new and more intensive types of services for the children and their families.

Programs have been inhibited in many cases from responding to these emerging needs in the grants application and review process by the Administration's overarching priority on serving increasing numbers of four year olds and its reluctance to expand to full day or multi-year services. In spite of increasing rates of maternal employment the percent of full-day programs declined from one-third in 1972 to only about 15% today. A 1988 study showed that 32% of Head Start parents

worked full-time and another 19% worked part-time, had seasonal jobs or were in school or training. Yet in FY 1989, only 6% of the grantees operated the program for 9 hours or more.

There has been considerable interest shown in the idea of securing "wrap around" or "comingling" funding, in order to be able to serve Head Start children for a full day. However, this can create many problems since the resources and standards involved in these other sources may differ substantially from Head Start's own, and this poses many difficult practical and ethical problems. For example, are the children provided with less good quality care and are the teachers to be paid less in the afternoon session funded under another auspice? There is considerable discussion about how to achieve successful "wrap around" programming and clear guidance and assistance from the administration has not yet been forthcoming.

The Panel report recommends that programs should have the flexibility to serve increased numbers of three year olds, to provide services to the same child for two years, especially those children from multi-problem families and to extend program operation to full-day, and full-year. This is especially necessary in view of the employment and training requirements of the Family Support Act. The current requirements and expectations for parent involvement also needs reexamination since they are not feasible or realistic for an employed parent.

The Panel report also recommends that all programs should have the option of establishing Parent and Child Centers and Child and Family Resource Programs in order to improve the services for multi-problem families.

Act's response. The new Act responds to these concerns in a number of ways:

---It doubles the FY '90 authorization for Parent and Child Centers, setting a target of at least one such Center per state.
---Clarifies that grantees may provide full-day, full-year services.
---Prohibits the Secretary from establishing rules or guidelines that forbid grantees to serve children age 3 and up for more than a year.

#4. Coordination With Other Child Care/Early Programs

Nature of the problems. In response to the notable increase in state funding of preschool programs particularly for disadvantaged children, ACYF commissioned a study in 1987 from the Education Development Center (EDC) of the relationship of Head Start programs to other preschool programs. This report identified competition between both types of program for children, staff and space in the large majority of communities. The study found that interagency agreements and effective collaborations existed between Head Start and other programs that focus on services to handicapped children both at local and state level. But with the exception of seven states, the report found that coordination efforts in the states between Head Start and other early childhood programs were largely informal or lacking entirely. The report recommends greatly strengthened, formal efforts at coordination and collaboration in program planning and operation.

In addition, the passage of the Family Support Act in 1988 requiring mothers of children ages 3 and up to enrol in the JOBS program intensifies the question about the ability of Head Start programs to provide full-day care. It also raised concern about whether pressures would evolve for Head Start programs to offer more of their slots to AFDC parents in JOBS training at the expense of the working poor.

Finally, the passage of two new federal child care grants programs, added to the numerous federally subsidized child care programs that already exist (See Ooms and Herendeen, April, 1989)

make the challenge of federal, state and local coordination between Head Start and the fragmented patchwork of preschool and child care programs an even more urgent one. Some believe that one barrier to developing such cooperation is the lack of a formal, bureaucratic Head Start presence at the state level. Although, in some states, the state Head Start Associations do work very closely with state government officials (see Goodman and Brady, 1988).

Act's response. The new Head Start Act and the new child care grant programs both include language directing these programs to coordinate with one another. However, there are no mechanisms or resources in either Act to implement this broad direction. (See discussions of coordination challenge above on page 12.) The CCDBG Act requires the states to appoint a lead agency to develop a state plan and it is presumed that such an agency may develop informal cooperative relationships with state Head Start programs.

On the positive side, in 1990 ACYF awarded state coordination grants to 12 states, designed to help create collaborative partnerships between Head Start, the governor's offices and other early childhood activities. It is expected that these grants will help to establish a more visible presence for Head Start at the state level. The Young Americans Act, a separate but yet unfunded title of the Hawkins umbrella Act, would also fund grants to states specifically designed to promote state coordination of services provided to children, youth and families. These grants would focus on interagency planning to promote systematic collaboration among agencies demonstrated by joint planning, financing and service delivery, common intake and assessment and so forth.

Finally, as one step towards improving coordination between Head Start and the public schools, the new law does authorize $20 million to establish a new program of demonstration grants, the **Head Start Transition Project,** designed to provide follow up supportive activities to Head Start graduates and other low income children in kindergarten and the early grades in an attempt to sustain the benefits of participation in Head Start.

#5. Need for Increased Research, Program Evaluation and Management Information

Nature of the problem. Contrary to the widely accepted view that Head Start 'works', we do not in fact know what effects participation in Head Start has on children and their families over the long run. Although there have been numerous studies of Head Start--by one estimate over 2,000--that have documented a wide range of short term benefits there have been few studies of the long term effects of the program. A considerable amount of data is available, but is only available aggragated at the program level, precluding any analysis of the impact of the program on individual children and families. In their absence, long-term evaluations of other early intervention preschool programs, such as the Perry Preschool Project, have been cited as support for Head Start's effectiveness.

A striking fact about the studies conducted to date is their almost exclusive focus on assessing child outcomes and their failure to assess either the effect of the contributions of Head Start parents to the program or the benefits parents, and family life in general has received from participation in the program. We know that parents rate Head Start highly, and data is available on the extent of, and factors affecting, parental participation. Studies have established a positive relationship between parental involvement and child educational outcomes. But no systematic study has been conducted on the effect of Head Start on parental employment, educational status, income, aspirations or other measures of economic mobility---a striking omission given the goals of the program to reduce poverty.

An Advisory Panel, set up in 1989 to study the status of Head Start research and evaluation, identified numerous gaps in research, pointed out that study findings were not generally translated into program improvement and made recommendations for developing and carrying out a new overall research strategy. This strategy would be designed to answer the questions---What type of program and which program components work best for whom? and What effects are maintained over the long haul? The Panel's report recommended that studies focus on programs serving diverse populations in different ways and examine effects on parents/families and communities as well as the children themselves.

Act's response. In response to these recommendations the 1990 Reauthorization Act included a number of provisions designed to strengthen data reporting requirements, research, and evaluation including the following.

---By 1994, the DHHS Secretary must submit a comprehensive report on the program (aspects of its administration, the grants negotiation process at regional level, program coordination etc.); children served by the program and information concerning the parents, including the impact of parents' schedules on their ability to access and participate in Head Start.

---DHHS must submit every two years a report on the status of the children in Head Start.

---The DHHS Secretary must conduct a longitudinal study of Head Start children and their families. The provision specifies a very broad range of outcomes to be assessed with respect to how they are affected by many different aspects of the program. If possible the study should incorporate an experimental design using control groups of children who did not participate in Head Start. By January 1, 1994 the study must submit an interim report on the study design and initial findings.

---The Secretary must study the effectiveness of providing Head Start services in family day care settings.

---Authorizes a study of various program models and options.

---Concern has been expressed that there are no specific studies legislatively required to address the effectiveness of the bilingual and multi-cultural curricula, or the specific needs and characteristics of the growing number and diversity of minorities participating in Head Start in spite of a dearth of such studies.

Ambitious and exciting plans were underway, prior to the new Act, for creating computerized child and family data bases in each Head Start program, which will greatly facilitate the collection of information required by these new research mandates and will mean that they should not be unduly burdensome on the staff.

While the new Act is receiving much praise for its wide ranging reforms that address many of the major current program shortcomings, the central tension between the twin goals of improving quality and expanding enrollment are left largely unresolved. The new law also leaves wide open the question of coordination---how the expanded Head Start is expected to relate to newly enacted and existing child care and preschool programs. (This issue is discussed at greater length above on page 12.) Even if states are able to develop some coordinated planning at the state level, the fact that Head Start has no official state presence may make it harder to include Head Start in these activities.

Finally, the reauthorization does help Head Start take a significant step towards a basic shift in philosophy, from thinking of the program primarily as a vehicle to enhance child development and

school achievement to incorporating an additional goal of assisting and encouraging maternal employment.

IV. ASSESMENT OF CHILD CARE PACKAGE FROM THE FAMILIES' PERSPECTIVE

Child care advocates and policy analysts will assess the design and implementation of the new child care package with specific questions and criteria in mind, such as how many more children can now be provided with child care and whether the quality of care will be improved. Those especially interested in the expansion of Head Start will be interested in the effects on children and families of improvements in quality of any increased exposure to the program. There will be a general interest in the extent to which the increased child care, which should now be provided to welfare mothers and low wage earners, helps them to achieve greater economic self-sufficiency and thus supplements the goals of welfare reform.

We end this report with our own brief assessment of this package from the perspective of three broad family criteria which are especially important to the families themselves but are often omitted in the discussions. These criteria are derived from a longer list developed by the Family Impact Seminar in collaboration with the Coalition of Family Organizations (see COFO, 1990 and Ooms and Preister, 1989). Our assessment is based simply on the design of the legislation and has not involved any computerized projections.

1. Family diversity: *Which types of families stand to benefit from this "package" of child care legislation?* Families differ by income, family structure, cultural characteristics and special needs. A family impact assessment needs to take this diversity into account.

---By income: It is clear that the beneficiaries of this package, as intended, will overwhelming be very low income families---both those on public assistance and low wage earners. The tax credits are targeted on wage earners who earn less than $21,243 in FY '91. The Title IV-A program is targeted on employed low income families at risk of welfare dependency. And 90% of Head Start participants must be below poverty (which in 1989 was defined by OMB as $12,675 for a four person household).

The CCBDG grant monies may be used by states for assistance to those families with 75% or less of the state median income, and priority must be given to those of lowest income. In 1989, the national median income was $34,213. This means that families earning $25,660 or less could be eligible for subsidies under the CCDBG.

However, state median incomes vary considerably. Current estimates for state median incomes for FY '91, prepared for the Low Income Home Energy Assistance Program (LIHAP), show the wide range from a high of $49,105 in Maryland to a low of $28,665 in Arkansas. (see Federal Register,1990) Thus, families in Maryland earning $36,829 and below, and families in Arkansas earning $21,499 and below would be eligible for child care services under the CCBDG (75% of the two state median income levels).

Families in the $20,000 to $35,000 range may not derive much direct assistance from these new child care initiatives for several reasons even when in some states they may be eligible for the CCDBG assistance. First, there is clearly a growing demand for subsidized child care for the very lowest income families in part stimulated by the JOBS program and when resources are limited both the new grant programs emphasize giving priority to the lowest income families.
Second, the low middle income families are not eligible for the EITC and, moreover, only derive a small benefit from the dependent care tax credit program.

Families who earn above $35,000 are not eligible for any of the child care assistance provided by these programs and thus are not directly affected by this legislation. It is possible, however, that they may benefit indirectly from any investment states and counties make in improving the infrastructure of child care, such as strengthening the Information and Referral programs and other quality improvement efforts, such as the new standards for health and safety and consumer education programs.

The very wealthiest families are also not affected either way by this legislation. However, since a couple of the proposals to cap the dependent care tax credit at high levels of income were not enacted in 1990 they may feel somewhat reprieved by this package.

---**By family structure.** In terms of family structure it is clear that employed single parent households who are disproportionately poor will be the family type that benefits the most since they gain increased assistance from all parts of the package. (This includes the group of employed single parents who were previously unemployed for lack of child care assistance.) The tax credit expansion, through the young child credit, directly targets a family type which has not previously received special assistance---the "traditional" two parent, one-earner family with an infant and this credit is not available to the two-earner family with an infant. (More precisely these families cannot claim the young child credit and <u>also</u> claim the dependent care credit to offset the expenses of non-parental care.)

---**By cultural background**. To the extent that poor families with young children are disproportionately from minority groups, this package provides substantial help to minority families. The expansion of Head Start is especially beneficial to minority families. In addition to providing minority access to a high-quality early childhood program, Head Start has long had a special emphasis on developing curricula and program design features that are especially sensitive to cultural issues. Head Start also has special programs for migrant children.

Neither the state grants nor the Head Start legislation, however, adds any specific emphasis on improving programs' sensitivity to cultural issues which many minority leaders believe is needed. For minorities to benefit from the EITC, it is very important that public awareness campaigns, whether conducted by the IRS or private organizations, develop specific information materials in Spanish and other languages and work with minority community leaders to plan ways to reach these families. (The Center for Budget and Policy Priorities EIC Outreach kit does include written materials in Spanish.)

---**By special need.** It is generally agreed that families whose children have special needs including infants, infants and children with disabilities or special health problems, or are ill, or where families who work non-traditional hours generally have a very difficult time finding child care. Unlike the ABC bill, the new state grant programs do not direct states to specifically target these special needs although they certainly remain free to do so. The Head Start expansion will benefit preschoolers with disabilities since by law 10% of the slots available must be reserved for the handicapped.

2. Maximizing family choice: *Will parents have a wider range of choices as a result of this package of legislation?* Yes, although there are many elements in the concept of "choice" there is no doubt that since the package funds various kinds of child care assistance parents will have more choice than if the same amount of funding had all been targeted on one approach. Specific aspects of the package that contribute to increasing parental choice are:

- The requirement in the CCDBG that states set up certificate/voucher systems and must offer parents the option of vouchers which may be used for relative care certainly maximizes choice.

- The substantial amount of cash subsidies through the tax credits which parents can "spend" on any type of child care they choose, or not on child care at all.

- The lack of any federally required standards imposed on states which would have restricted the types of care parents receiving subsidies could choose from and which some believe would have had the effect of constraining the supply of child care available.

- As many child care advocates have pointed out, there is little value in promoting parental choice if, in fact, there are shortages of child care and the parent has limited options to choose from or the only care that is available is of poor quality. However, to the extent that states are able to expand their programs with this new money parents should have more types of child care to choose from overall. And through careful coordinated planning, states and localities can ensure that parents needs and preferences are more likely to be met.

3. Family access: *Will it be easier for parents to find out about and use child care?* Probably not. There is very little in this new package to suggest that these new initiatives will help improve the non-financial access problems embedded in the current child care scene. The child care market is highly disorganized and decentralized making the search for child care a costly, time consuming and often frustrating one and creating many inefficiencies. As discussed, the fact that many different funding streams are involved in subsidized child care, each with their own rules and requirements also adds to parents' frustrations and access problems and often creates discontinuity of care for their children. Lack of available centralized information about informal child care, which is the type used by the majority of low income families, apparently leads in many communities to considerable underutilization of family day care.

There is no emphasis in these new programs on strengthening the informal family day care system nor any requirements or mechanisms established to help carry out the legislation's general directives to improve the coordination between major child care programs. Although as suggested above, there are several opportunities for states to move forward in this area if they consider it a priority. In addition, if the quality improvement funds are spent on strengthening the Information and Referral systems this could also be helpful to parents.

Note: Other important family criteria lead to questions about the extent to which the legislation encourages programs to establish or strengthen parent involvement and empowerment and whether child care providers are provided incentives and training to work in partnership with parents. However, this package simply does not address these issues at all although there are several examples of federal legislation that do, for example P.L. 99-457, Head Start and several education programs. Head Start programs have, as noted, included a strong and required emphasis on parent involvement, but this feature was not changed nor strengthened in the 1990 reauthorization.

ORGANIZATION RESOURCES

The following organizations will take an active role in providing information, technical assistance, and advocacy related to implementation of this child care package. The first three, described in more detail, specifically relate to the tax credit and Head Start programs. The others relate to child care more broadly.

CENTER ON BUDGET AND POLICY PRIORITIES

Founded in 1981, the Center on Budget and Policy Priorities conducts research and analysis on public policies that affect low and moderate income Americans. The Center issues reports on a variety of poverty-related issues and serves as a source of information and analysis for policymakers, program managers, the media, social service providers, advocacy groups and researchers at the federal, state and local levels.

The Earned Income Credit Campaign. The EOTC is widely regarded as both "pro-work" and "pro-family" because only low income workers who live with and support children are eligible. But many poor families do not know about it. Accordingly, the Center conducts a national outreach campaign to publicize the need for these families to file a federal tax return in order to claim their benefits. Hundreds of social service agencies, direct service providers, health clinics, legal assistance groups, religious organizations, unions, businesses, advocacy and community-based organizations, and state and local governments have joined the campaign. A number of Congressional offices have also used campaign material to provide information to their constituents. The campaign works cooperatively with the IRS and is now in its third year. Bilingual campaign posters, flyers and other materials are available from the Center.

Contact: Robert Greenstein, Executive Director
The Center on Budget and Policy Priorities
777 North Capitol St. NE, Suite 705
Washington DC 20002 (202) 408-1080

NATIONAL WOMEN'S LAW CENTER

The National Women's Law Center serves as a national resource for those who are committed to advancing the status of women through the law. The Center began as the Women's Rights Project of the Center for Law and Social Policy and became independent in 1981.

The Center engages in litigation and advocacy, compliance monitoring and assistance to advocates. It conducts technical legal and constitutional research, policy analysis, and public education and publishes manuals, articles and reports on many aspects of women's rights.

The major focus of the Center's work is on the following areas of central concern to women: employment, education, child and adult dependent care, child support enforcement, public assistance, tax reform, Social Security, reproductive rights and health with special attention in all these areas to how poor women are affected. Recently, the Center has developed informational materials related to the new EITC legislation and plans to conduct an outreach campaign with the child care advocacy community to reach not only the consumers of child care, but also the providers, many of whom, due to low wages and salaries, are eligible themselves for EITC benefits.

Contact: Nancy Duff Campbell, Executive Director
National Women's Law Center
1616 P Street NW
Washington D.C. 20036
(202) 328-5160

NATIONAL HEAD START ASSOCIATION (NHSA)

The National Head Start Association is the membership organization representing the 540,000 children, 90,000 staff and 1800 Head Start programs in America. NHSA is a private, not-for-profit corporation governed by a 24 member Board of Directors composed of equal numbers of representatives of the NHS Parents Association, NHS Directors Association, NHS Staff Association and the NHS Friends Association.

The mission of the NHSA is to nurture and to advocate for children and families; to provide the Head Start community the opportunity of expressing concerns; to define strategies on pertinent issues affecting Head Start; to serve as an advocate for Head Start programs; to provide training and professional development opportunities for the Head Start community; and to develop a networking system with other organizations whose efforts are consistent with the NHSA. Major activities also include education and advocacy, quarterly publication of the NHSA Journal, regular policy and legislative updates to affiliate organizations, and an annual National Training Conference.

Contact: Don Bolce
NHSA
1220 Kind Street, Suite 200
Alexandria, VA 22314
(703) 739-0875

For additional information about the organizations and associations listed below see the Family Impact Seminar's four previous background briefing reports in the series on child care.

American Public Welfare Association (APWA), Contact: Rick Ferreira, APWA, 810 First Street NE, Suite 500, Washington, DC 20002, (202) 682-0100

Child Care Employee Project (CCEP), Contact: Carol Pemberton, CCEP, P.O. Box 5603, Berkeley, CA 94705, (415) 653-9889.

Child Care Law Center, Contact: Abby Cohen, Child Care Law Center, 22 Second Street, 5th Floor, San Francisco, CA 94105, (415) 495-5498

Child Welfare League of America, Inc. (CWLA), Contact: Marjorie Kopp, CWLA, 440 First Street NW, Suite 310, Washington, DC 20001, (202) 638-2952

Children's Defense Fund (CDF), Contact: Nancy Ebb, CDF, 122 C Street NW, Washington, DC 20001, (202) 628-8777

Council for Childhood Professional Recognition (Child Development Associate Program), Contact: Carol Brunson Phillips, Council for Early Childhood Professional Recognition, 1718 Connecticut Avenue NW, Suite 500, Washington, DC 20009, (202) 265-9090

National Association for Family Day Care (NAFDC), Contact: Kay Hollestelle, NAFDC, c/o The Children's Foundation, 815 15th Street NW, Suite 928, Washington, DC 20005, (202) 347-3356

National Association for the Education of Young Children (NAEYC), Contact: Barbara Willer, NAEYC, 1834 Connecticut Avenue NW, Washington, DC 20009, (202) 232-8777

National Association of Child Care Resource and Referral Agencies (NACCRA), Contact: Dee Rabehl, NACCRA, 2116 Campus Drive SE, Rochester, MN 55904, (507) 287-2220

National Center for Clinical Infant Programs (NCCIP), Contact: Eleanor Szanton, NCCIP, 733 15th Street NW, Washington, DC 20005, (202) 347-0308

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CHART 1

Earned Income Tax Credit

Tax Year 1991

Families With Two or More Children

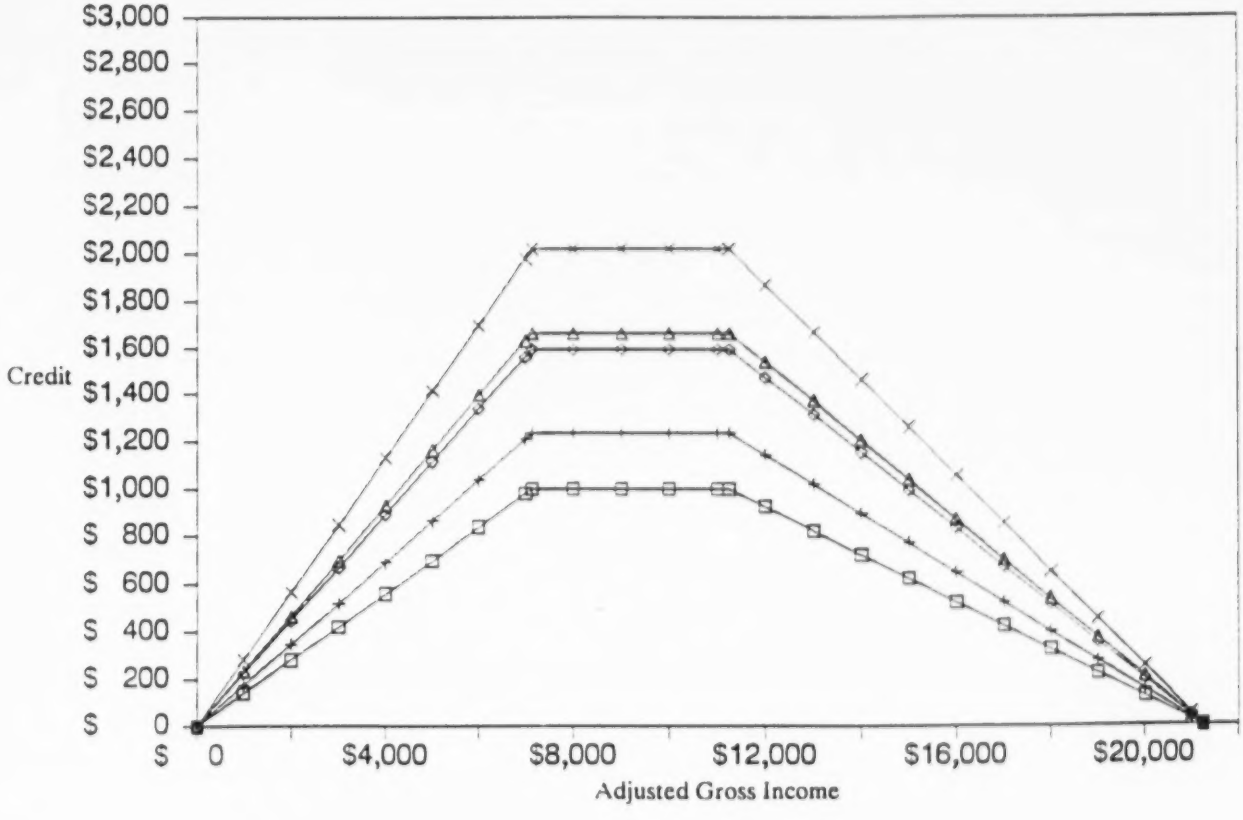

CHART 2

Earned Income Tax Credit

Tax Year 1994

Families With Two or More Children

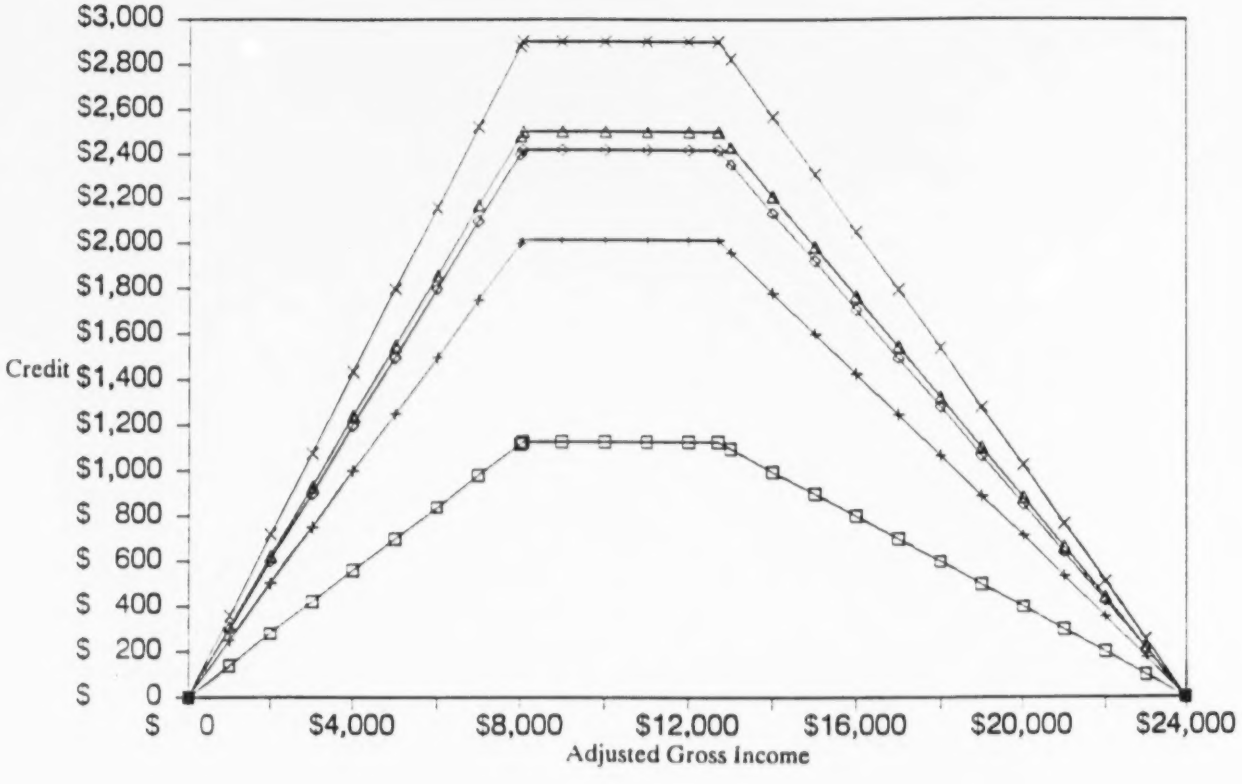

TABLE I

KEY ISSUE AREAS WHERE COORDINATION SHOULD BE IMPROVED

- **Sliding Fee Scales**--Do different programs use different sliding fee scales which may require families in the same circumstances to make different co-payments depending on the program that they are using?

- **Full Day Services**--Is the range of child care and early childhood development programs coordinated in a way to ensure that children enrolled in part-day, part-year programs have easy access (at the same site if possible) to complementary child care services that in combination provide the family with full-day, full-year services? Are new child care funds as well as Family Support Act funds set aside specifically to provide such complementary child care so that families that need full-time child care can take advantage of part-time Head Start and state-funded part-day early childhood programs?

- **Standards**--Do families enjoy different protections or quality assurances depending on which program they are using? Similarly, do providers have to comply with different standards depending on the funding sources that they receive?

- **Monitoring and Enforcement**--Are all programs protected by a similar set of monitoring and enforcement guidelines and practices?

- **Reimbursement Rates**--Do the various programs offer widely disparate reimbursement rates which result in unequal access to child care for families?

- **Attendance and Enrollment Policies**--Do programs have different policies regarding whether providers are reimbursed for holidays and children's absences? Conflicting policies are an administrative nightmare for providers, and it is difficult to operate a program and pay staff if the state does not pay providers for days when children are absent.

- **Intake**--Is there a single place or process through which families can find out about and apply to all programs for which they may be eligible? If not, is there at least a standardized application and a process for referring families from one agency to another so that families do not fall through the cracks when they lose eligibility for one program but should be eligible for another.

- **Training**--Do providers working in different state programs have different pre-service or ongoing training requirements? Are training opportunities coordinated so that they are available to as many providers as possible?

- **Salaries**--Do providers participating in different state programs (for example, child care, preschool, and Head Start programs) receive vastly different salaries? Are differences related to educational background or professional experience?

- **Eligibility**--Is eligibility coordinated so that all low-income families needing child care for work, training, or education, or as a result of the social service or special needs of their children, are covered? Are there common eligibility criteria for all programs?

- **Resource and Referral**--Are all families eligible to use one R & R system, if it exists, or do families receiving AFDC go to one place and low-income working families another? Can families not only find out about various programs but also apply for subsidies at resource and referrals if local R & R's are interested in providing this service?

- **Continuity for Children and Families**--As eligibility changes, can a family continue to keep its child in the same program, avoiding disruptions in care as a family moves from one eligibility category to another? Does the family have to undergo a cumbersome reapplication process?

- **Payment Mechanisms**--Is there a mixture of payment mechanisms (certificates, contracts, etc.) to allow for development of new resources where needed and for flexibility in offering parental choice and meeting the needs of the family? Are billing procedures similar so that the same types of information are required and reports or claims can be easily completed by providers?

Source: Blank, Helen. *The Child Care and Development Block Grant and Child Care Grants to States Under Title IV-A of the Social Security Act: A Description of Major Provisions and Issues to Consider in Implementation.*. Washington, DC: Children's Defense Fund, 1991.